

*Subject to compliance by the City with certain covenants, in the opinion of Chapman and Cutler LLP, Bond Counsel, under present law, interest on the Bonds is excludable from gross income of the owners thereof for federal income tax purposes and is not included as an item of tax preference in computing the federal alternative minimum tax for individuals and corporations, but such interest is taken into account in computing an adjustment used in determining the federal alternative minimum tax for certain corporations. The interest on the Bonds is not exempt from present State of Illinois income taxes. See "TAX EXEMPTION" herein for a more complete discussion. The Bonds will not be designated as "qualified tax-exempt obligations" under Section 265(b)(3) of the Internal Revenue Code of 1986, as amended.*



**City of Evanston  
Cook County, Illinois**

**\$12,045,000 General Obligation Corporate Purpose Bonds, Series 2014**

**Dated:** Date of Delivery

**Due:** December 1, as shown on inside cover

The \$12,045,000 General Obligation Corporate Purpose Bonds, Series 2014 (the "Bonds") of the City of Evanston, Cook County, Illinois (the "City"), will bear interest from their dated date at the rates per annum as shown on the inside cover page. Interest on the Bonds (computed on the basis of a 360-day year consisting of twelve 30 day months) will be payable semi-annually on each June 1 and December 1, commencing June 1, 2015. The Bonds will be issued in integral multiples of \$5,000. The Bonds are subject to redemption prior to their maturity as more fully described in this Official Statement. See "THE BONDS – Optional Redemption" herein.

The Bonds will be issued in book-entry form, as registered in the name of Cede & Co., as registered owner and nominee of The Depository Trust Company, New York, New York ("DTC"). Payments of principal and interest on the Bonds will be made by Wells Fargo Bank, N.A., Minneapolis, Minnesota, as paying agent and bond registrar (the "Bond Registrar") to Cede & Co., which will, in turn, remit such payments to the DTC participants for subsequent disbursements to the Beneficial Owners (as defined in this Official Statement) of the Bonds. Purchases of the Bonds will be made in book-entry-only form and individual purchasers will not receive physical delivery of bond certificates.

In the opinion of Chapman and Cutler LLP, Bond Counsel, the Bonds will be a valid and legally binding general obligation of the City, except that the rights of the owners of the Bonds and the enforceability of the Bonds may be limited by bankruptcy, insolvency, moratorium, reorganization and other similar laws affecting creditors' rights and by equitable principles, whether considered at law or in equity, including the exercise of judicial discretion, and all taxable property in the City will be subject to the levy of taxes to pay the same without limitation as to rate or amount.

The City will furnish the written approving opinion of Chapman and Cutler LLP as to the legality of the Bonds and the exemption of interest on the Bonds from federal income taxes. Such opinion is to be based on Bond Counsel's examination of the law and a certified copy of the record of proceedings relating to the issuance of the Bonds.

**Financial Advisor:** Public Financial Management, Inc.

**Not Bank Qualified:** The Bonds will not be designated as "qualified tax-exempt obligations."

**Delivery:** Delivery of the Bonds is expected on August 21, 2014

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*(THIS COVER PAGE CONTAINS CERTAIN INFORMATION FOR QUICK REFERENCE ONLY. IT IS NOT A SUMMARY OF THIS ISSUE. INVESTORS MUST READ THE ENTIRE OFFICIAL STATEMENT TO OBTAIN INFORMATION ESSENTIAL TO THE MAKING OF AN INFORMED INVESTMENT DECISION.)*

## MATURITIES, RATES AND YIELDS

### \$12,045,000 General Obligation Corporate Purpose Bonds, Series 2014

December 1

<u>Year</u>	<u>Amount</u>	<u>Interest Rate</u>	<u>Yield</u>	<u>CUSIP</u>
2015	\$ 345,000	2.000%	0.200%	2992275Z7
2016	470,000	1.250%	0.430%	2992276A1
2017	475,000	1.750%	0.760%	2992276B9
2018	480,000	4.000%	1.080%	2992276C7
2019	500,000	4.000%	1.430%	2992276D5
2020	510,000	4.000%	1.700%	2992276E3
2021	530,000	5.000%	1.960%	2992276F0
2022	550,000	5.000%	2.180%	2992276G8
2023	575,000	5.000%	2.340%	2992276H6
2024	600,000	5.000%	2.460%	2992276J2
2025	590,000	5.000%	2.570%	2992276K9
2026	620,000	5.000%	2.670%	2992276L7
2027	650,000	3.000%	3.000%	2992276M5
2028	670,000	3.000%	3.087%	2992276N3
2029	690,000	3.000%	3.166%	2992276P8
2030	710,000	3.000%	3.238%	2992276Q6

\$1,490,000 Term Bond due December 1, 2032 - Rate 3.250% - Yield 3.398% - CUSIP No. 2992276R4

\$1,590,000 Term Bond due December 1, 2034 - Rate 3.500% - Yield 3.500% - CUSIP No. 2992276S2

Certain information in this Official Statement has been obtained by the City of Evanston, Illinois, from The Depository Trust Company and other non-City sources that the City believes to be reliable. No representation or warranty is made, however, as to the accuracy or completeness of that information. Nothing contained in this Official Statement is a promise or representation by the Underwriter. This Official Statement is being used in connection with the sale of the Bonds referred to in this Official Statement and may not be used, in whole or in part, for any other purpose.

No dealer, broker, salesman or other person is authorized to give any representations concerning the Bonds other than those contained in this Official Statement, and if given or made, such other information or representations may not be relied upon as statements of the City. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of the Bonds by any person in any jurisdiction in which it is unlawful to make such an offer, solicitation or sale. Unless otherwise indicated, the City is the source of the tables and statistical and financial information contained in this Official Statement. The information and opinions expressed in this Official Statement are subject to change without notice. Neither the delivery of this Official Statement nor any sale made under this Official Statement shall, under any circumstances, create any implication that there has been no change in the financial condition or operations of the City or other information in this Official Statement, since the date of this Official Statement.

This Official Statement should be considered in its entirety. No one factor should be considered less important than any other by reason of its position in this Official Statement. Where statutes, ordinances, reports or other documents are referred to in this Official Statement, reference should be made to those documents for more complete information regarding their subject matter.

The Bonds will not be registered under the Securities Act of 1933, as amended, or the securities law of any state of the United States, and will not be listed on any stock or other securities exchange. Neither the Securities and Exchange Commission nor any other federal, state, municipal or other governmental entity shall have passed upon the accuracy or adequacy of this Official Statement.

IN CONNECTION WITH THE OFFERING OF THE BONDS, THE UNDERWRITER MAY OR MAY NOT OVERALLOT OR EFFECT TRANSACTIONS THAT STABILIZE OR MAINTAIN THE MARKET PRICES OF THE BONDS AT LEVELS ABOVE THOSE WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME WITHOUT NOTICE. THE PRICES AND OTHER TERMS RESPECTING THE OFFERING AND SALE OF THE BONDS MAY BE CHANGED FROM TIME TO TIME BY THE UNDERWRITER AFTER THE BONDS ARE RELEASED FOR SALE AND THE BONDS MAY BE OFFERED AND SOLD AT PRICES OTHER THAN THE INITIAL OFFERING PRICES, INCLUDING SALES TO DEALERS WHO MAY SELL THE BONDS INTO INVESTMENT ACCOUNTS. THE CITY IS NOT PARTY TO OR LIABLE FOR ANY OF THESE ACTIVITIES.

**CITY OF EVANSTON**  
2100 Ridge Avenue  
Evanston, Illinois 60201  
(847) 328-2100

**MAYOR**

Elizabeth B. Tisdahl

**CITY COUNCIL**

1 <sup>st</sup> Ward	Judy Fiske
2 <sup>nd</sup> Ward	Peter Braithwaite
3 <sup>rd</sup> Ward	Melissa A. Wynne
4 <sup>th</sup> Ward	Donald N. Wilson
5 <sup>th</sup> Ward	Delores A. Holmes
6 <sup>th</sup> Ward	Mark Tendam
7 <sup>th</sup> Ward	Jane Grover
8 <sup>th</sup> Ward	Ann Rainey
9 <sup>th</sup> Ward	Coleen Burrus

**CITY CLERK**

Rodney Greene

**CITY ADMINISTRATION**

City Manager	Wally Bobkiewicz
Assistant City Manager/Treasurer	Martin Lyons
Corporation Counsel	Grant Farrar

**PROFESSIONAL SERVICES**

**Bond Counsel**

Chapman and Cutler LLP  
Chicago, Illinois

**Financial Advisor**

Public Financial Management, Inc.

**Auditor**

Baker Tilly Virchow Krause & Company, LLP  
Oak Brook, Illinois

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# OFFICIAL STATEMENT

Relating to

## CITY OF EVANSTON COOK COUNTY, ILLINOIS

### \$12,045,000 General Obligation Corporate Purpose Bonds, Series 2014

#### INTRODUCTION

This Official Statement sets forth information concerning the offer by the City of Evanston, Cook County, Illinois (the "City"), of the \$12,045,000 General Obligation Corporate Purpose Bonds, Series 2014 (the "Bonds"). The Bonds are authorized pursuant to and in accordance with the "home rule" powers granted to the City under Article VII, Section 6 of the Illinois Constitution of 1970 and a bond ordinance of the City adopted on July 28, 2014 (as supplemented by the bond order authorized therein and executed in connection with the sale of the Bonds, the "Bond Ordinance").

The Bonds are a general obligation of the City to which the City pledges its full faith and credit with a claim for payment from *ad valorem* taxes levied upon all taxable property in the City, without limitation as to rate or amount, except that the rights of the owners of the Bonds and the enforceability of the Bonds may be limited by bankruptcy, insolvency, moratorium, reorganization and other similar laws affecting creditors' rights and by equitable principles, whether considered at law or in equity, including the exercise of judicial discretion. See "*SECURITY FOR THE BONDS.*"

The City, with a population in 2010 of 75,549, is located along Lake Michigan immediately north of Chicago, Illinois. Evanston includes residential neighborhoods and parks and a major revitalized central business area of shops, restaurants, theaters, offices and corporate headquarters, neighborhood shopping areas, hospitals and universities. The City is the home of Northwestern University, with about 10,000 students and 5,000 employees at its Evanston campus. The City's per capita and median family incomes are substantially higher than Cook County and State of Illinois (the "State") levels. See "*DEMOGRAPHIC DATA.*"

#### PURPOSE OF THE BONDS

The Bonds are being issued for the purpose of (i) providing for various capital improvements at various locations throughout the City, including certain capital expenditures as detailed for the year 2014 in the City's Capital Improvement Plan, as adopted by the Corporate Authorities; and (ii) paying costs related to the issuance of the Bonds.

#### Capital Projects Borrowing

<u>Project Fund</u>	<u>Amount</u>
Fund 415 (General)	\$ 9,432,706
Fund 510 (Water)	2,863,638
Fund 420 (Special Assessment)	500,866
Total	<u><u>\$ 12,797,210</u></u>

## **SOURCES AND USES OF FUNDS\***

The proceeds of the Bonds are expected to be applied as follows:

Estimated Sources:

Par Amount of Bonds	\$ 12,045,000
Net Original Issue Premium	901,259
Total Sources of Funds	<u>\$ 12,946,259</u>

Estimated Uses:

Capital Projects Accounts	\$ 9,432,706
Water System Projects Accounts	2,863,638
Special Assessment Projects Accounts	500,866
Estimated Cost of Issuance	149,049
Total Uses of Funds	<u>\$ 12,946,259</u>

## **SECURITY FOR THE BONDS**

### **General Obligation of the City**

The full faith and credit of the City are irrevocably pledged to the punctual payment of the principal of and interest on the Bonds. The Bonds are direct and general obligations of the City, and the City is obligated to levy ad valorem taxes upon all the taxable property in the City for the payment of the Bonds and the interest thereon, without limitation as to rate or amount, except that the rights of the owners of the Bonds and the enforceability of the Bonds may be limited by bankruptcy, insolvency, moratorium, reorganization and other similar laws affecting creditors' rights and by equitable principles, whether considered at law or in equity, including the exercise of judicial discretion.

Pursuant to the Bond Ordinance, the City may, before the deadline for the filing of an abatement of taxes levied by the City for any year, adopt an ordinance abating taxes levied by the Bond Ordinance for that year to the extent that it finds that sufficient funds of the City have been deposited into the bond fund for the Bonds to pay principal of and interest on the Bonds during the period otherwise provided for from that levy. The City has created a separate debt service fund for the Bonds.

### **Alternative Sources of Payment**

It has been the City's practice to utilize a variety of revenue sources for repayment of its general obligation bonds, in addition to its ad valorem property taxes. For the Bonds, these alternative sources are expected to include sales taxes, water and sewer service charges, special assessments, parking revenues, Tax Increment Financing ("TIF") and taxes levied for special service areas in the City to make payments on its general obligation indebtedness. Although these revenue sources are not pledged to the payment of, and do not secure, the Bonds, the City expects to utilize certain of these sources to pay debt service on the Bonds, permitting the abatement of a portion of the property taxes levied in the Bond Ordinance.

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\* All amounts preliminary, subject to change.



## THE BONDS

### General

The Bonds will be issuable as fully registered Bonds and will be initially dated the Date of Delivery. The Bonds mature on the dates and in the amounts, and bear interest from the “Dated Date” until paid at the rates as set forth on the inside cover of this Official Statement. The Bonds are issuable in denominations of integral multiples of \$5,000. Interest is payable on June 1 and December 1 of each year. The first interest payment date is June 1, 2015.

The principal and redemption price of the Bonds are payable in lawful money of the United States of America upon presentation at the office maintained for that purpose by Wells Fargo Bank, N.A., Minneapolis, Minnesota, as paying agent and bond registrar (the “Bond Registrar”). Payment of interest shall be made to the registered owner of the Bonds as shown on the registration books of the City maintained by the Bond Registrar at the close of business on the applicable Record Date. The Record Date shall be the 15<sup>th</sup> day of the month preceding any regular or other interest payment date occurring on the first day of any month and, otherwise, 15 days preceding any interest payment date occasion by the redemption of Bonds on other than the first day of a month. Interest shall be paid by check or draft of the Bond Registrar, payable upon presentation in lawful money of the United States of America, mailed to the address of the registered owner as it appears on such registration books (the “Register”), or at such other address furnished in writing by the registered owner to the Bond Registrar, or as otherwise agreed by the City and the Bond Registrar for so long as this Bond is held by a qualified securities clearing corporation as depository, or nominee, in book-entry form.

The Bonds will be initially registered in the name of Cede & Co., as nominee of DTC. DTC or a successor depository will act as securities depository of the Bonds (the “Depository”). Individual purchases may be made in book-entry-only form, in the principal amount of \$5,000 or integral multiples thereof. Purchasers will not receive certificates representing their interest in the Bonds purchased. See “Book-Entry-Only System” herein.

### Optional Redemption

The Bonds maturing on December 1, 2025, and thereafter are subject to redemption prior to maturity at the option of the City on December 1, 2024 and any date thereafter, in whole or in part and if in part in such principal amounts and from such maturities as the City shall determine and within any maturity by lot at a redemption price of par plus accrued interest to the date fixed for redemption.

### Mandatory Sinking Fund Redemption

The Bonds due on December 1, 2032 and December 1, 2034 (the “Term Bonds”), are subject to mandatory redemption, in integral multiples of \$5,000 selected by lot by the Registrar, at a redemption price of par plus accrued interest to the redemption date, on December 1 of the years and in the principal amounts as follows:

<u>Term Bond Due December 1, 2032</u>	
<u>Sinking Fund</u>	<u>Principal Amount</u>
<u>Redemption Date</u>	<u>to be Redeemed</u>
December 1, 2031	\$ 735,000
December 1, 2032	755,000*

\* Stated Maturity

<u>Term Bond Due December 1, 2034</u>	
<u>Sinking Fund</u>	<u>Principal Amount</u>
<u>Redemption Date</u>	<u>to be Redeemed</u>
December 1, 2033	\$ 780,000
December 1, 2034	810,000*

\* Stated Maturity

The principal amounts of Term Bonds to be mandatorily redeemed may be reduced through the earlier optional redemption thereof, with any partial optional redemptions of such Term Bonds credited against future mandatory redemption requirements in such order of the mandatory redemption dates as the City may determine. In addition, on or prior to the 60th day preceding any mandatory redemption date, the Bond Registrar may, and if directed by the City shall, purchase Term Bonds required to be retired on such mandatory redemption date. Any such Term Bonds so purchased shall be cancelled and the principal amount thereof shall be credited against the mandatory redemption required on such next mandatory redemption date.

### **Redemption Procedures**

The City will, at least 45 days prior to any optional redemption date (unless a shorter time period shall be satisfactory to the Bond Registrar), notify the Bond Registrar of such redemption date and of the principal amount and maturity or maturities of Bonds to be redeemed. For purposes of any redemption of less than all of the outstanding Bonds of a single maturity, the particular Bonds or portions of Bonds to be redeemed shall be selected by lot by the Bond Registrar from the Bonds of such maturity by such method of lottery as the Bond Registrar shall deem fair and appropriate (except when the Bonds are held in a book-entry system, in which case the selection of Bonds to be redeemed will be made in accordance with procedures established by DTC or any other book entry depository); *provided* that such lottery shall provide for the selection for redemption of Bonds or portions thereof in principal amounts of \$5,000 and integral multiples thereof.

Unless waived by any holder of Bonds to be redeemed, notice of the call for any redemption will be given by the Bond Registrar on behalf of the City by mailing the redemption notice by first-class mail at least 30 days and not more than 60 days prior to the date fixed for redemption to each registered owner of the Bonds to be redeemed at the address shown on the Register or at such other address as is furnished in writing by such registered owner to the Bond Registrar.

All official notices of redemption shall include at least the information as follows: (a) the redemption date; (b) the redemption price; (c) if less than all of the outstanding Bonds of a particular maturity are to be redeemed, the identification (and, in the case of partial redemption of Bonds within such maturity, the respective principal amounts) of the Bonds to be redeemed; (d) a statement that on the redemption date the redemption price will become due and payable upon each such Bond or portion thereof called for redemption and that interest thereon shall cease to accrue from and after said date; and (e) the place where such Bonds are to be surrendered for payment of the redemption price, which place of payment shall be the principal office maintained for the purpose by the Bond Registrar.

### **Book-Entry-Only System**

The information contained in the following paragraphs of this subsection “Book-Entry-Only System” has been extracted from a schedule prepared by The Depository Trust Company entitled “SAMPLE OFFERING DOCUMENT LANGUAGE DESCRIBING BOOK-ENTRY-ONLY ISSUANCE.” The City makes no representation as to the completeness or the accuracy of such information or as to the absence of material adverse changes in such information subsequent to the date hereof.

The Depository Trust Company (“DTC”), New York, NY, will act as securities depository for the Bonds. The Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC’s partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered certificate will be issued for each annual maturity of each series of the Bonds, each in the aggregate principal amount of such annual maturity, and such certificates will be deposited with DTC.

DTC, the world’s largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a “banking organization” within the meaning of the New York Banking Law, a member of the Federal Reserve System, a “clearing corporation” within the meaning of the New York Uniform Commercial Code, and a “clearing agency” registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC’s participants (“Direct Participants”) deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants’ accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The

Depository Trust & Clearing Corporation (“DTCC”). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (“Indirect Participants”). DTC has a Standard & Poor’s rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at [www.dtcc.com](http://www.dtcc.com).

Purchases of Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC’s records. The ownership interest of each actual purchaser of each Security (“Beneficial Owner”) is in turn to be recorded on the Direct and Indirect Participants’ records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC’s partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds; DTC’s records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

Redemption notices shall be sent to DTC. If less than all of the Bonds within an issue are being redeemed, DTC’s practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Bonds unless authorized by a Direct Participant in accordance with DTC’s MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the City as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.’s consenting or voting rights to those Direct Participants to whose accounts Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Redemption proceeds, distributions, and interest payments on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC’s practice is to credit Direct Participants’ accounts upon DTC’s receipt of funds and corresponding detail information from the City or paying agent (“Agent”), on payable date in accordance with their respective holdings shown on DTC’s records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in “street name,” and will be the responsibility of such Participant and not of DTC, Agent, or the City, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the City or Agent, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as depository with respect to the Bonds at any time by giving reasonable notice to the City or Agent. Under such circumstances, in the event that a successor depository is not obtained, certificates for the Bonds are required to be printed and delivered.

The City may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, certificates for the Bonds will be printed and delivered to DTC.

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the City believes to be reliable, but the City takes no responsibility for the accuracy thereof.

NEITHER THE CITY, NOR THE UNDERWRITER WILL HAVE ANY RESPONSIBILITY OR OBLIGATION TO PARTICIPANTS, TO INDIRECT PARTICIPANTS OR TO ANY BENEFICIAL OWNER WITH RESPECT TO (1) THE ACCURACY OF ANY RECORDS MAINTAINED BY DTC, ANY DTC PARTICIPANT OR ANY INDIRECT PARTICIPANT; (2) THE PAYMENT BY DTC, ANY DTC PARTICIPANT OR ANY INDIRECT PARTICIPANT OF ANY AMOUNT WITH RESPECT TO THE PRINCIPAL OF, PREMIUM, IF ANY, OR INTEREST ON THE BONDS; (3) ANY NOTICE WHICH IS PERMITTED OR REQUIRED TO BE GIVEN TO CERTIFICATEHOLDERS; (4) ANY CONSENT GIVEN BY DTC OR OTHER ACTION TAKEN BY DTC AS CERTIFICATEHOLDER; OR (5) THE SELECTION BY DTC, ANY DTC PARTICIPANT OR ANY INDIRECT PARTICIPANT OF ANY BENEFICIAL OWNER TO RECEIVE PAYMENT IN THE EVENT OF A PARTIAL REDEMPTION OF THE BONDS.

### **Continuing Disclosure**

In order to assist the Underwriter in complying with SEC Rule 15c2-12 promulgated by the Securities and Exchange Commission, pursuant to the Securities Exchange Act of 1934 (the "Rule"), the City shall covenant pursuant to authority contained in the Bond Ordinance to enter into an undertaking (the "Undertaking") for the benefit of holders including beneficial holders of the Bonds to provide certain financial information and operating data relating to the City annually to the Municipal Securities Rulemaking Board (the "MSRB"), and to provide notices of the occurrence of certain events enumerated in the Rule electronically or in the manner otherwise prescribed by the MSRB to the MSRB. The details and terms of the Undertaking, as well as the information to be contained in the annual report or the notices of material events, are set forth in the Continuing Disclosure Undertaking to be executed and delivered by the City at the time the Bonds are delivered. Such Undertaking will be in substantially the form attached hereto as Appendix C. A failure by the City to comply with the Undertaking will not constitute an event of default on the Bonds (although holders will have the right to obtain specific performance of the obligations under the Undertaking). Nevertheless, such a failure must be reported in accordance with the Rule, and must be considered by any broker, dealer or municipal securities dealer before recommending the purchase or sale of the Bonds in the secondary market. Consequently, such a failure may adversely affect the transferability and liquidity of the bonds and their market price.

The City will file its continuing disclosure information using the MSRB's Electronic Municipal Market Access (EMMA) system. Investors will be able to access continuing disclosure information filed with the MSRB at [www.emma.msrb.org](http://www.emma.msrb.org).

*(The remainder of this page has been left blank intentionally.)*

During the past five years, there have been instances where the City has failed to file its annual financial information as required in accordance with the Rule. Specifically, under previously executed continuing disclosure certificates, the City was and is obligated to file annual reports containing financial information and operating data no later than 210 days after the end of each fiscal year, as well as notice of any inability or failure to file such annual reports by the required date.

The below table summarizes the City's five most recent annual disclosure filings on the MSRB's EMMA system for the City's general obligation pledge (Base CUSIP 299227).

<u>Fiscal Year Ended</u>	<u>Disclosure Due Date</u>	<u>Date Filed with EMMA</u>	<u>Days Late</u>
12/31/2013	07/29/2014	07/30/2014	1
12/31/2012	07/29/2013	07/30/2013	1
12/31/2011	07/28/2012	07/03/2012	--
02/28/2011	09/26/2011	05/29/2012	246
02/28/2010	09/26/2010	07/15/2011	292
02/28/2009	09/26/2009	07/15/2011	657

The City inadvertently continued to utilize the Nationally Recognized Municipal Securities Information Repositories (NRMSIRs) between June 1, 2009 and July 15, 2011, in lieu of the EMMA system. Therefore, certain financial information and operating data relating to the City for the fiscal years ended February 28, 2009 and February 28, 2010 were uploaded to the EMMA system after the agreed upon 210 days after the last day of the City's fiscal year. For fiscal year ended February 28, 2011, the City simply failed to file the required financial information and operating data to the EMMA system within the agreed upon 210 days.

In recognition of the importance of complying with its obligations under the City's continuing disclosure certificates, the City implemented procedures in early 2012 to help ensure future compliance. The City has strengthened its internal controls and began utilizing its financial advisor for disclosure compliance.

For fiscal years ended December 31, 2012 and December 31, 2013, the City's required financial information and operating data were filed on the EMMA system one day after the agreed upon 210 days.

During the past five years, there have been instances where the City has failed to file a reportable event as required in accordance with the Rule. Specifically, under previously executed continuing disclosure certificates, the City was and is obligated to file a material events notice in the event of a "rating change" within ten business days after the occurrence of the reportable event.

Moody's Investors Service ("Moody's") changed the underlying rating on the general obligation of the City to "Aaa" from "Aa1" on April 16, 2010. The rating change was part of a Moody's recalibration of its long-term U.S. municipal ratings to its global rating scale. This recalibration did not reflect an improvement in credit quality or a change in Moody's credit opinion for rated municipal debt issuers. Instead, the recalibration was to align Moody's municipal ratings with their global scale equivalent. Because of the global nature of the rating change the City did not file a material events notice on EMMA within ten business days after the occurrence of the rating change. In an attempt to assuage concerns raised by certain members of the municipal underwriting community regarding this lack of material event filing, the City filed the associated material event notice on August 5, 2014.

Moody's downgraded the underlying rating on the general obligation of the City to "Aa1" from "Aaa" on June 27, 2013. The City's related material event notice was filed on the EMMA system on July 12, 2013, which was 11 business days after the reportable event.

Bond Counsel expresses no opinion as to whether the Undertaking complies with the requirements of Section (b)(5) of the Rule.

## THE CITY

### General

The City of Evanston constitutes many communities, perspectives and qualities: it is a suburb, an urban center, a college town and lakefront community; it has leafy neighborhoods and lakefront mansions; apartment, condominium and student housing; its residents are commuters and locally employed workers; the downtown is prospering, but neighborhood commercial centers are also strong and developing. It is a part of the Chicago-land economy and has a vigorous commercial and professional economy of its own. A population of approximately 75,000 is diverse by race, religion, age, education, economics and occupation. With 8,700 people per square mile, Evanston has double the population density of the average North and Northwest suburb, and approximately half the density of Chicago. The City has over 260 acres in 75 parks and five beaches.

Evanston is contiguous with Chicago, and approximately 13 miles by rapid transit, commuter rail, expressway or parkway from downtown Chicago. It borders the north shore communities of Skokie and Wilmette.

In 1863, the Village of Evanston was incorporated as a town, and after several annexations, in 1892, the town became a city. The City's southern boundary was established with the City of Chicago and the present City limits, encompassing an area of approximately 8.0 square miles, have been essentially the same ever since. The City has four miles of shoreline along Lake Michigan.

### Northwestern University

Evanston is the home of Northwestern University, so named as it was established to serve the Northwest Territory. The University first platted the village which surrounded it. The State Legislature named the village "Evanston" in honor of Dr. John Evans, the then president of the University's Board.

Northwestern University not only gives a certain vitality to the City, it affects both City revenues and many demographic profiles of the City. Approximately 99% of the students living in university housing were included in the 2010 census, which is still unofficial at the time of the date of this Official Statement. This tends to understate demographic statistics such as the City's per capita income, wealth per capita, assessed value per capita, etc. On the other hand, it increases revenue sharing and other grants based on population.

About 4,000 students live in university housing; another 900 live in fraternities and sororities. Roughly 800 live in two graduate student-housing complexes and approximately 3,500 live off-campus, mostly in privately owned apartments in Evanston.

### Government

The City is a home rule municipality under the Illinois Constitution. As such, it has no tax rate or debt limits, nor is it required to conduct a referendum to authorize the increase of debt or the imposition of real property taxes.

The City has a Council/Manager form of government with an elected Mayor. The Mayor is elected for a four-year term. The Aldermen each represent one of nine wards and are elected to terms of four years. The City Council is organized into standing committees: Administration and Public Works, Human Services, Planning and Development and Rules. The City Council has also established several special committees and commissions and advisory boards.

The City Manager is the Chief Administrative Officer of the City and is responsible for the management of all City operations under the direction of the Mayor and City Council. The City Manager appoints and supervises the directors of the City's 10 departments. The Administrative Services Director is responsible for the central financial functions of the City.

The City provides a broad range of municipal services, including police and fire protection, streets and parking, water and sewer service, public libraries, social services, health and services for the aging; beaches, parks and cultural events. The City is engaged in assisting in community and economic development and maintains land use controls.

Schools are provided by separate boards of education, governed by elected school boards. A small portion of the City is located in the Skokie Park District. Wastewater treatment is provided by the Metropolitan Water Reclamation District.

### **Administration**

Wally Bobkiewicz, *City Manager*. Mr. Bobkiewicz is the City Manager, appointed in August 2009. Mr. Bobkiewicz is the administrative head of the Municipal government and responsible for the efficient administration of all City departments. The departments are as follows: Administrative Services, Community and Economic Development, Fire, Health, Law, Library, Parks, Recreation and Community Services, Police, Public Works and Utilities. Before working for the City of Evanston, Mr. Bobkiewicz was employed as the City Manager with Santa Paula, California.

Martin Lyons, *Assistant City Manager/Treasurer*. Mr. Lyons is the Assistant City Manager/Treasurer and in conjunction with the City Manager, oversees and administers all the City's departments and functions, including the City's utilities, and serves as the City's Treasurer. Previous to working for the City of Evanston, Mr. Lyons was the Finance Director of the Village of Downers Grove, Illinois for nine years and for the Village of LaGrange, Illinois for three years.

### **Development Activity and City Layout**

The City's downtown is a central location for over eighty restaurants (ranging from casual to high-end), hundreds of hotel rooms, a state-of-the art movie theater, several theater and dance companies, retail bookstores and numerous shops.

Total EAV ("equalized assessed value" as defined herein as "Real Property Taxation") growth in the City has grown from \$1.30 billion in 1999 to \$2.20 billion in 2013, representing more than 134% in growth. Evanston's prudent use of TIF development has added significantly to this growth. The Washington National TIF grew by more than \$77 million from its inception in 1994.

Commercial development in the downtown area has been a priority of City government since a "Plan for Downtown Evanston/City Comprehensive Plan" was first adopted in 1980, with continuing revisions since then. Private development has been encouraged with coordination and support from the City. The City's efforts have included enhanced public transportation through the interconnection of bus, Metra rail and the Chicago Transit Authority (the "CTA") hubs; public art including streetscape and sidewalk amenities; creation of a commercial district to support nightlife in the City; and the utilization of two tax increment districts to provide support for the Church Street Plaza and Sherman Plaza redevelopment areas.

The City also has eight neighborhood commercial districts. Central Street, Noyes Street, Chicago & Dempster, Main & Chicago and Howard & Chicago are each formed around transportation hubs. Each of these districts has distinctive features: international, specialty retail and baked goods at Central Street; theater and dining at Noyes Street; antiques, art and specialty goods at Chicago & Dempster; convenient shopping at Main & Chicago and the transportation center at Howard & Chicago, on the border of the City with Chicago. Evanston Center and Oakton Street Center, on the Southwest Side of the City, are commercial centers initiated by developers and include a large number of national retailers. Each have major anchor and supportive retail which meets the needs of the neighborhood and beyond, and were redeveloped on former vacant industrial sites.

### **Labor Relations**

The City's four collective bargaining contracts cover the majority of the City's 793 (full-time equivalent) employees and include: Police – Fraternal Order of Police (FOP) (expires on 12/31/2015); Firefighters - Local 742 of the International Association of Firefighters (IAFF) (expires on 12/31/15); Police Sergeants - FOP (expires on 12/31/2015); Other labor and general office positions including Public Works, Utilities, Parks/Recreation, Health , Library and Community Development - American Federation of State County and Municipal Employees (AFSCME), Council 31, Local 1891 A (expires on 12/31/15).

The City has not experienced any work stoppage due to labor difficulties for the last 30 years.

## DEMOGRAPHIC DATA

Evanston's median family income and per capita income remain consistently and significantly above State of Illinois and Cook County levels, as does the median home value.

### Family Income, Per Capita Income and Median Home Value

	2010	2000	2010	2000	2010 <sup>(1)</sup>	2000 <sup>(1)</sup>
	Median Family	Median Family	Per Capita	Per Capita	Median	Median Home
	<u>Income</u>	<u>Income</u>	<u>Income</u>	<u>Income</u>	<u>Home</u>	<u>Value</u>
					<u>Value</u>	<u>Value</u>
City of Evanston	\$ 104,117	\$ 78,886	\$ 38,116	\$ 33,645	\$ 366,400	\$ 290,800
Cook County	61,889	53,784	27,839	23,227	244,400	157,700
State of Illinois	65,417	55,545	27,325	23,104	191,800	130,800

(1) Single Family Owner Occupied Units Only

Source: U.S. Census Bureau

### City of Evanston, Cook County and State of Illinois Median Home Value

	Evanston		Cook County		State of Illinois	
	<u>2010</u>	<u>2000</u>	<u>2010</u>	<u>2000</u>	<u>2010</u>	<u>2000</u>
Median Home Value <sup>(1)</sup>	\$ 366,400	\$ 290,800	\$ 244,400	\$ 157,700	\$ 191,800	\$ 130,800
Number of Single Family Homes <sup>(1)</sup>	15,334	9,597	1,127,332	816,532	3,219,338	3,219,338
Percent of Homes Valued:						
Under \$50,000	1.34%	0.27%	3.20%	1.91%	6.84%	6.84%
\$50,000-\$99,999	0.89%	3.04%	5.63%	17.34%	13.91%	13.91%
\$100,000-\$149,000	3.57%	11.23%	11.18%	26.77%	14.76%	14.76%
\$150,000-\$199,999	13.01%	14.86%	16.90%	22.54%	16.82%	16.82%
\$200,000-\$299,999	21.49%	22.42%	27.02%	18.06%	22.26%	22.26%
Above \$300,000	59.68%	48.17%	36.07%	13.37%	25.41%	25.41%
Total	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%

Source: U.S. Census Bureau

### City of Evanston – Age of Housing Structures (as of 2010 U.S. Census)

<u>Years Built</u>	<u>Number</u>	<u>Percentage</u>
1939 or Earlier	16,333	51.15%
1940 to 1959	6,292	19.70%
1960 to 1969	3,069	9.61%
1970 to 1979	1,670	5.23%
1980 to 1989	1,109	3.47%
1990 to 1999	1,123	3.52%
2000 to 2004	1,366	4.28%
2005 to Later	972	3.04%
Total	31,934	100.00%

Source: U.S. Census Bureau



## Education and Employment

Census data from 2010 reflects that over 62% of adult residents of Evanston have four or more years of college, compared to 28% nationally.

### Educational Attainment – Population over 25

<u>Educational Level</u>	<u>Number</u>	<u>Percentage</u>	<u>Post-Secondary Education</u>	<u>High School or Higher</u>
Graduate or Professional Degree	15,707	33.20%		
Bachelor's Degree	13,804	29.20%		
Associate Degree	1,665	3.50%	65.90%	
Some College, no degree	7,136	15.10%		91.40%
High school graduate	4,932	10.40%		
9th to 12th grade, no diploma	2,483	5.20%		
Less than 9 <sup>th</sup> grade	1,599	3.40%		
Total	<u>47,326</u>	<u>100.00%</u>		

Source: U.S. Census Bureau

The following table shows the proportion of Evanston residents holding various job categories. Consistent with the high average level of educational attainment, over 62% of job holders who are Evanston residents work in professional or managerial jobs, as compared to 37.4% in Cook County, Illinois and 36.1% statewide.

### Select Occupation Categories

<u>Type of Occupations</u>	<u>Number</u>	<u>Percentage</u>
Management, business, science, and arts	23,243	62.51%
Service occupations	4,085	10.99%
Sales and office occupations	8,048	21.64%
Natural Resources, construction, and maintenance	648	1.74%
Production, transportation, material moving	1,160	3.12%
Total	<u>37,184</u>	<u>100.00%</u>

Source: U.S. Census Bureau

## Population

The City's population is essentially stable, having been near 70,000 since 1950.

	<u>1990</u>	<u>2000</u>	<u>2010</u>
City of Evanston	73,233	74,239	74,549
Cook County	5,105,067	5,376,741	5,194,675
State of Illinois	11,430,602	12,419,293	12,830,632

Source: U.S. Census Bureau

## THE ECONOMY

The City enjoys a robust economy with broadly diverse economic resources. Students and the University, professional and commercial workers, residents and business all contribute to the mix of revenue received by the City through taxes, fees, licenses as well as property taxes.

One of the telling indicators of economic activity is retail sales as measured by sales tax receipts. The State sales taxes payable to the City have grown at an average compound rate of approximately 2.1 percent between fiscal years ended February 28, 2004 and December 31, 2013.

### Ten Year History State Sales Tax Receipts

<u>FY Ended</u>	Home Rule <u>Annual</u>	Increase / <u>(Decrease)</u>	Sales Tax <u>Annual</u>	Increase / <u>(Decrease)</u>
12/31/2013	\$ 5,964,747	4.51%	\$ 9,717,393	7.86%
12/31/2012	5,707,112	n.a.	9,008,956	n.a.
12/31/2011	4,902,429	n.a.	7,671,007	n.a.
2/28/2011	5,724,904	4.78%	8,791,573	2.87%
2/28/2010	5,463,561	(1.96%)	8,546,173	(3.52%)
2/28/2009	5,572,880	(5.73%)	8,857,994	(4.11%)
2/29/2008	5,911,796	4.61%	9,237,337	6.24%
2/28/2007	5,651,328	0.70%	8,695,104	2.48%
2/28/2006	5,611,780	0.32%	8,484,692	1.13%
2/28/2005	5,594,134	1.73%	8,389,985	5.90%
2/29/2004	5,499,126	(1.40%)	7,922,537	(3.57%)

### Building Activity – Value of Permits

<u>Calendar Year</u>	<u>Value of All Building Permits</u>
2013	\$ 262,464,798
2012	148,357,853
2011	181,371,826
2010	130,696,500
2009	105,958,715

### Replacement Taxes

<u>FY Ended</u>	<u>Amount</u>
12/31/2013	\$ 1,422,673
12/31/2012	1,243,473
12/31/2011	944,157
2/28/2011	1,445,092
2/28/2010	1,339,100

## Transportation

Evanston has excellent public transportation. It is served by a rapid transit rail line operated by CTA, with eight stations in Evanston. This is part of the CTA's metropolitan rapid transit system. Commuter rail service provided by Metra, a Division of the Regional Transportation Authority ("RTA"), serves three stops in Evanston. Four local bus routes operated by the CTA connect all Evanston neighborhoods with its downtown area. Five bus routes operated by PACE, a suburban bus division of the RTA, connect Evanston with north and northwestern suburbs.

## Employment

The following is a list of major employers within the City.

### Largest Employers

<u>Employer</u>	<u>Nature of Business</u>	<u>Approximate Number of Employees</u>
Northwestern University	Higher education	9,471
Evanston Northwestern Healthcare	Administrative and general hospital	3,727
Evanston/Skokie School District 65	Elementary school	1,599
St. Francis Hospital	General hospital	1,272
City of Evanston	Local government	918
Presbyterian Homes/McGaw Care Center	Retirement/nursing homes	602
Rotary International	Non-profit service organization	535
Evanston Township High School District 202	Public high school	520
C.E. Neihoff & Co.	Manufacturing	480
Mather Lifeways	Retirement/nursing homes	450

Source: City of Evanston, phone canvass

## Industry

Although a small proportion of the total property value and employment numbers, the City is home to various manufacturing concerns including Addison Steel, a fabricating company; Ward Manufactory, a tool and die manufacturer; and C.E. Niehoff, a manufacturer of automotive components.

## Unemployment

Unemployment in the City is consistently below Cook County and State of Illinois levels.

### Average Unemployment Rates

	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
City of Evanston	7.30%	7.90%	7.50%	6.80%	7.20%
Cook County	10.40%	10.80%	10.30%	9.30%	9.60%
State of Illinois	10.00%	10.50%	9.70%	8.90%	9.20%

## **FINANCES**

### **Budget Process, Accounting and Financial Control Procedures**

The City's fiscal year ("FY") has historically begun on March 1 of each year. However, the City passed a resolution that changes the City's fiscal year to match the calendar year beginning in the year 2012. As such, fiscal year 2011 is only be ten months in duration (March 1, 2011 through December 31, 2011).

The City Manager submits to the City Council a proposed operating budget not less than 60 days prior to the start of each fiscal year. The operating budget includes proposed expenditures and the means of financing those expenditures. The City Council holds several public hearings and then may modify the budget prior to adoption.

The City Manager is authorized to transfer budgeted amounts between departments within any fund (such as the General Fund); however, any revisions that alter the total expenditures of any fund must be approved by the City Council.

Budgets are legally adopted on a basis consistent with generally accepted accounting principles ("GAAP") except that property taxes are budgeted as revenue in the year they are levied. For purposes of preparing the combined statement of revenues, expenditures and changes in fund balances – budget and actual, GAAP revenue and expenditures have been adjusted to the budgetary basis. The budgets of the governmental type funds are prepared on a modified accrual basis. Obligations of the City are budgeted as expenditures, but revenue is recognized only when it has actually been received. The Comprehensive Annual Financial Report of the City ("CAFR") presents expenditures and revenues on both a GAAP basis and a budget basis for comparison.

The City uses funds and account groups to report on its financial position and the results of its operations. Fund accounting is designated to demonstrate legal compliance and to aid financial management by segregating transactions related to certain City functions or activities. A fund is a separate, self-balancing accounting entity and in the City there are three categories of funds: governmental, proprietary and fiduciary. Governmental funds are used to account for all or most of the City's general activities, including the collection and disbursement of earmarked monies (special revenue funds), the acquisition or construction of general fixed assets (capital project funds) and the servicing of general long-term debt (debt service funds). The General Fund is used to account for all activities of the City not accounted for in some other fund. For the FY 2014 the City projects that 34.96% (\$89.0 million) of all City expenditures will occur in the General Fund. Other major funds include Special Revenue Funds, Debt Service Funds, Enterprise Funds (water, sewer, and parking) and Pension Trust Funds.

The Enterprise Funds (water and sewer) are budgeted on a full accrual basis. Expenses are recognized when a commitment is made (through a purchase order), and revenues are recognized when they are obligated to the City (for example, water user fees are recognized as revenue when bills are produced).

The City reports financial results based on GAAP as promulgated by the Governmental Accounting Standards Board. The accounts of the City are divided into separate self-balancing funds comprised of its assets, liabilities, fund equity, revenues and expenditures, as appropriate.

The City's expenditures are monitored on a regular basis by the Finance Department. Disbursements are made only if an expenditure is within the authorized Budget.

The City annually presents its Budget to the Government Finance Officers Association ("GFOA") for review against that organization's standards for government budgeting. The City received a Distinguished Budget Award from the GFOA for the fiscal year 2012 Budget and has previously received the award for over 16 successive years.

### **Financial Statements and Independent Audits**

The City annually presents its CAFR to the GFOA for review against that organization's standards for governmental accounting and financial reporting. The City received a certificate of achievement for excellence in financial reporting from the GFOA for the fiscal year ended December 31, 2011, and has previously received the certificate for several successive years.

The City's financial statements are audited annually as required by State law. Baker Tilly Virchow Krause & Company, LLP, Certified Public Accountants, Oak Brook, Illinois, audited the financial statements for fiscal year ended December 31, 2013. Copies of the City's audited financial statements are available from the Administrative Services Department of the City. Excerpts of the audited financial statements for the fiscal year ended December 31, 2013, are included as APPENDIX A to this Official Statement. Baker Tilly Virchow Krause & Company, LLP, has neither reviewed nor approved this Official Statement or its appendices.

The City has covenanted in connection with the issuance of the Bonds to file its audited annual financial statements and certain additional financial and operating data within 210 days after the close of the City's fiscal year. See APPENDIX C to this Official Statement.

### **Cash Management**

The City invests available funds to the extent not needed for immediate expenditures in interest bearing securities. Money Market Funds make up 100% of General Fund investments. Cash amounts held in bank accounts are collateralized by United States government or agency obligations.

The City's investment policy is in compliance with the Illinois Municipal Investment Act and limits investments to those that are insured or which are registered (or for which the securities are held by the City or its agent) in the City's name. Bond funds are invested separately.

### **Revenues**

The City receives revenue from a wide variety of sources. These include a real property tax, municipal shares of State sales and income taxes, a home rule sales tax, utility taxes and federal grants, as well as various use charges, licenses and permits. The largest revenue source for the City is the property tax. See "*REAL PROPERTY TAXATION*" for a description of the property tax. Other major revenue sources are described below.

#### ***Sales Taxes***

The City's share of the State sales tax and a separate City home rule sales tax are the second largest source of revenue to the City. A portion of the State's sales tax receipts from sales within Evanston are statutorily allocated to the City. The amount so received by the City equals about 1.0% of those sales subject to the State tax. In addition, the City imposes a City-wide home rule sales tax, as permitted by State law, presently at a rate of 1.0%. Sales of vehicles, groceries and medicine, among other items, are exempted by State law from this home rule sales tax. The Illinois Department of Revenue collects both the State sales tax and the City's sales tax. The State sales tax produced \$9.7 million, and the home rule sales tax produced \$5.9 million for the fiscal year ended December 31, 2013.

#### ***Utility Taxes***

The City collects utility taxes on natural gas, electricity and telephone charges. Utility taxes generated \$7.7 million for the fiscal year ended December 31, 2013 compared to \$8.0 million for the fiscal year ended December 31, 2012.

### **FY 2012/ 2013 Budgets**

#### ***Overview of Budget for Fiscal Year 2012 and 2013***

The total budget of the City for the fiscal year ended December 31, 2014 is \$254.6 million. The General Fund portion of the total budget for fiscal year ended December 31, 2014 is \$89.0 million.

The total budget of the City for the fiscal year ending December 31, 2013 is \$253.9 million. The General Fund portion of the total budget for fiscal year ending December 31, 2013 is \$84.5 million.

## Summary of Financial Information

The following summary of financial information is taken from audited financial statements of the City for fiscal years ended February 29, 2010 through December 31, 2013. This summary does not purport to be complete. Reference should be made to excerpts of the audited financial statements for fiscal year ended December 31, 2012 included as APPENDIX A of this Official Statement. Baker Tilly Virchow Krause & Company, LLP, Certified Public Accountants, have neither reviewed nor approved this summary.

<b>General Fund Balance Sheet</b>					
<b>Fiscal Years Ended</b>					
<b>Assets:</b>	<b>2/28/2010</b>	<b>2/28/2011</b>	<b>12/31/2011</b>	<b>12/31/2012</b>	<b>12/31/2013</b>
Cash and Investments	\$8,980,446	\$10,303,331	\$11,523,030	\$11,478,724	\$10,885,387
Property Taxes Receivable	15,055,056	16,118,287	16,641,472	12,281,386	12,031,386
Due From Other Governments	7,071,845	7,112,895	7,400,692	7,456,261	7,247,146
Due From Other Funds	1,206,245	545,268	810,429	728,569	3,029,567
All Other Assets	2,117,495	2,008,760	2,290,681	2,308,521	2,983,910
Total Assets	<u>34,431,087</u>	<u>36,088,541</u>	<u>38,666,304</u>	<u>34,253,461</u>	<u>36,177,396</u>
<b>Liabilities:</b>					
Vouchers Payable	1,342,117	1,869,559	1,720,394	1,334,732	1,760,323
Due To Other					
Funds/Governments	1,806,681	170,443	666,790	1,089,490	4,546,512
Accrued Payroll	2,738,368	3,522,131	3,019,828	3,465,699	2,317,172
Compensated Absences Payable	70,289	29,156	60,117	828	207,027
Deferred Revenue	8,128,230	8,396,075	14,451,629	10,879,672	10,477,223
All Other Liabilities	157,853	97,425	354,377	449,553	506,188
Total Liabilities	<u>14,243,538</u>	<u>14,084,789</u>	<u>20,273,135</u>	<u>17,219,974</u>	<u>19,814,445</u>
<b>Fund Balances:</b>					
Reserved	1,584,855	1,994,876	--	--	--
Unreserved – Designated	5,426,913	5,426,913	--	--	--
Unreserved – Undesignated	13,175,781	14,581,963	--	--	--
Assigned	--	--	7,590,232	6,847,983	6,361,490
Unassigned	--	--	10,802,937	10,185,504	10,001,461
Total Fund Balance	<u>20,187,549</u>	<u>22,003,752</u>	<u>18,393,169</u>	<u>17,033,487</u>	<u>16,362,951</u>
Total Liabilities and Fund Balance	<u>\$34,431,087</u>	<u>\$36,088,541</u>	<u>\$38,666,304</u>	<u>\$34,253,461</u>	<u>\$36,177,396</u>

Sources: City of Evanston, Illinois; CAFR for fiscal year ended 2/28/2010 through 12/31/2013.

**General Fund**  
**Schedule of Revenues, Expenditures, and**  
**Changes in Fund Balance – Budget and Actual (Budgetary Basis) <sup>1</sup>**  
**Fiscal Year Ended December 31, 2013**

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
<b>Revenue</b>			
Taxes	\$37,314,938	\$38,328,602	1,013,664
Licenses and Permits	9,413,392	10,617,414	1,204,022
Intergovernmental	16,458,443	18,382,644	1,924,201
Charges for Services	7,773,730	7,722,937	(50,793)
Fines	4,366,022	3,448,523	(917,499)
Investment Income	6,000	26,907	20,907
Miscellaneous	2,306,837	1,418,949	(887,888)
Total Revenues	<u>77,639,362</u>	<u>79,945,976</u>	<u>2,306,614</u>
<b>Expenditures</b>			
General Management and Support	14,860,206	14,147,518	712,688
Public Safety	39,293,186	40,650,660	(1,357,474)
Public Works	9,660,554	8,797,497	863,057
Health and Human Resources Development	3,276,062	3,601,469	(325,407)
Recreation and Cultural Opportunities	14,709,152	14,744,293	(35,141)
Housing and Economic Development	2,721,262	2,536,209	185,053
Total Expenditures	<u>84,520,422</u>	<u>84,477,646</u>	<u>42,776</u>
Excess / (Deficiency) of Revenues Over Expenditures	<u>(6,881,060)</u>	<u>(4,531,670)</u>	<u>2,349,390</u>
<b>Other Financing Sources (Uses)</b>			
Operating transfers in (out)			
West Evanston TIF	60,000	60,000	--
Motor Fuel Tax Fund	833,000	833,000	--
Economic Development Fund	452,707	452,707	--
Housing Fund	23,990	23,990	--
Washington National TIF Debt Service Fund	331,000	331,000	--
Howard Hartrey Debt Service	144,400	144,400	--
Southwest TIF I Debt Service Fund	29,500	29,500	--
NSP 2	145,000	87,624	(57,376)
Emergency Telephone System Fund	125,950	125,950	--
Parking Fund	644,242	644,242	--
Sewer Fund	142,200	142,200	--
Howard Ridge TIF	120,400	120,400	--
Capital Improvement Fund	475,000	475,000	--
Water Fund	3,356,300	3,356,300	--
Debt Service Fund	(1,000,000)	(1,000,000)	--
Fleet Service	(600,000)	(600,000)	--
Solid Waste	(1,245,967)	(1,245,967)	--
Insurance Fund	(500,000)	(500,000)	--
	<u>3,537,722</u>	<u>3,480,346</u>	<u>(57,376)</u>
<b>Excess of Revenues and Other Financing Sources over Expenditures and Other Financing Uses</b>	<u>(3,343,338)</u>	<u>(1,051,324)</u>	<u>2,292,014</u>
<b>Fund Balance</b>			
Beginning of Year		<u>27,760,963</u>	
End of Year		<u>\$26,709,639</u>	

(1) Reported on a budgetary (non-GAAP) basis. See Appendix A for further information.

Sources: City of Evanston, Illinois; CAFR for the fiscal year ended December 31, 2013.

**General Fund  
Statement of Fund Operations  
GAAP Basis <sup>1</sup>  
Fiscal Years Ended**

<b>Revenues:</b>	<u>2/28/2010</u>	<u>2/28/2011</u>	<u>12/31/2011</u>	<u>12/31/2012</u>	<u>12/31/2013</u>
Taxes	\$40,231,207	\$39,184,101	\$30,242,619	\$35,987,699	\$38,709,390
Licenses and Permits	7,279,181	8,661,398	6,775,866	10,470,353	10,617,414
Intergovernmental	15,566,317	15,745,906	13,364,686	16,360,863	18,382,644
Charges for Services	8,680,166	9,785,836	6,283,196	7,328,037	7,722,937
Fines and Forfeits	4,150,610	4,002,700	3,279,785	3,470,107	3,448,523
Investment Income	17,048	11,454	2,073	7,169	26,907
Miscellaneous	3,824,800	5,987,365	3,276,503	2,470,868	1,418,949
Total	<u>79,749,329</u>	<u>83,378,760</u>	<u>63,224,728</u>	<u>76,095,096</u>	<u>80,326,764</u>
<b>Expenditures:</b>					
General Management and Support	14,575,634	21,814,654	11,774,893	12,437,192	14,147,518
Public Safety	34,200,821	35,258,964	31,367,067	38,606,997	40,650,660
Public Works	12,862,044	12,618,308	6,339,072	7,833,641	8,797,497
Health & Human Resource Dev.	3,940,324	3,700,431	2,887,812	3,200,052	3,601,469
Recreation & Cultural Opportunities	17,998,527	17,390,458	15,980,974	14,283,198	14,744,293
Housing & Economic Dev.	3,332,818	2,952,803	2,462,258	3,103,952	2,536,209
Debt Service - Principal	83,055	101,030	119,993	--	--
Debt Service - Interest	56,945	38,970	20,007	--	--
Total	<u>87,050,168</u>	<u>93,875,618</u>	<u>70,952,076</u>	<u>79,465,032</u>	<u>84,477,646</u>
Transfers In	6,461,572	5,409,384	4,793,745	6,848,283	6,826,313
Transfers Out	--	--	(676,980)	(4,838,029)	(3,345,967)
Issuance of Debt	--	6,893,299	--	--	--
Premiums and Accrued Interest	--	10,378	--	--	--
Fund Balance, Beginning of Year	<u>21,026,816</u>	<u>20,187,549</u>	<u>22,003,752</u>	<u>18,393,169</u>	<u>17,033,487</u>
Fund Balance, End of Year	<u>\$20,187,549</u>	<u>\$22,003,752</u>	<u>\$18,393,169</u>	<u>\$17,033,487</u>	<u>\$16,362,951</u>

**Notes:**

(1) General Fund operations are reported on a basis consistent with GAAP, and also on a budgetary (non-GAAP) basis. The City prepares the budget on a non-GAAP basis for the General, Special Revenue and Debt Service Funds; property taxes are recognized in the same accounting period as when the tax levy is adopted, even though the taxes are not collected until the following year, and encumbrances are treated as expenditures. This method is used to facilitate budgetary control. Under the GAAP basis, property tax revenues are recognized when both measurable and available. Encumbrances are not treated as expenditures. This table presents General Fund Operations on a GAAP basis.

Sources: City of Evanston, Illinois; CAFR for fiscal year ended 2/28/2010 through 12/13/2013.



## Pension Fund Obligations

The City participates in three defined benefit pension plans which cover substantially all employees. Retirement benefits are provided for employees who meet certain age and service requirements. Payments are generally correlated with the employee's length of service and earnings. Legal requirements of the plans (including contributions, vesting benefit and fund deficit provisions) are governed by State law. The plans are funded by employee and employer contributions and investment earnings.

All employees, other than police officers, firefighters and those working fewer than 1,000 hours per year, are covered by the Illinois Municipal Retirement Fund ("IMRF") which is a Statewide multi-employer plan governed by a state board of trustees.

The IMRF determines the contribution rate for the City to provide for all full funding of prior service costs, as determined actuarially, over a future period of not more than 40 years. The City funds its contributions through the property tax levy.

City police officers are covered by the Police Pension Fund and City firefighters are covered by the Firefighters' Pension Fund. These funds are governed by separate boards of trustees comprised of City officials and police or fire employee representatives. As required by State of Illinois statute, the City intends to annually fund its police and fire pension plans by the actuarially required contribution as determined by an enrolled actuary.

The following table shows the funding level, actual funding requirement, unfunded pension liability and funding ratio for the various pension funds for City employees.

### Combined Pension Funding

	<u>Asset Value</u>	<u>Liability</u>	<u>Unfunded</u>	<u>Funded Ratio</u>
Fire <sup>1</sup>	\$58,476,156	\$127,764,750	\$69,288,594	45.77%
Police <sup>1</sup>	78,658,837	169,353,377	90,694,540	46.45%
IMRF <sup>2</sup>	<u>78,823,691</u>	<u>92,222,299</u>	<u>13,398,608</u>	<u>85.47%</u>
All Funds Combined	<u>\$215,958,684</u>	<u>\$389,340,426</u>	<u>\$173,381,742</u>	<u>55.47%</u>

(1) Valuation date of 1/1/2013 (City of Evanston CAFR for year ended December 31, 2013)

(2) Valuation date of 12/31/2013 (City of Evanston CAFR for year ended December 31, 2013)

## Insurance Coverage

The City maintains commercial all-risk property insurance with regard to City facilities, subject to a deductible of \$75,000 per occurrence. The City maintains general liability insurance for claims in excess of \$2.0 million per occurrence.

## GENERAL OBLIGATION BONDED INDEBTEDNESS

### Outstanding General Obligation Debt

The below table provides the City's outstanding general obligation debt issues as of the issuance of the Bonds.

<b>General Obligation Debt by Issue</b>					
<u>Date of Issue</u>	<u>Type of Obligation</u>	<u>Amount Issued</u>	<u>Final Maturity</u>	<u>Interest Rates Outstanding</u>	<u>Principal Outstanding</u>
07/19/2006	Bonds, Series 2006	10,290,000	12/01/2026	4.25% - 5.00%	\$ 9,415,000
12/28/2006	Ref. Bonds, Series 2006B	14,430,000	01/01/2023	4.00% - 4.50%	14,340,000
05/24/2007	Ref. Bonds, Series 2007	30,385,000	12/01/2027	4.00% - 5.50%	16,835,000
05/07/2008	Ref. Bonds, Series 2008A	3,800,000	12/01/2021	3.75% - 5.00%	2,720,000
05/07/2008	Ref. Bonds, Series 2008B	27,755,000	12/01/2018	3.75% - 5.00%	10,115,000
05/07/2008	Bonds, Series 2008C	12,395,000	12/01/2028	3.75% - 5.00%	10,150,000
12/10/2008	Ref. Bonds, Series 2008D	19,015,000	12/01/2016	3.50% - 5.00%	3,170,000
08/15/2010	Bonds, Series 2010A	6,500,000	12/01/2029	2.00% - 3.625%	5,655,000
08/15/2010	Taxable Bonds, Series 2010B	8,000,000	12/01/2019	1.85% - 3.30%	5,795,000
08/01/2011	Bonds, Series 2011A	19,240,000	12/01/2031	2.00% - 4.50%	16,635,000
07/26/2012	Bonds, Series 2012	15,720,000	12/01/2032	2.00% - 3.25%	14,385,000
08/15/2013	Bonds, Series 2013A	12,565,000	12/01/2033	2.00% - 4.75%	12,565,000
11/20/2013	Ref. Bonds, Series 2013B	28,875,000	12/01/2025	2.00% - 3.00%	28,875,000
	Subtotal				150,655,000
08/21/2014	Bonds, Series 2014	12,045,000	12/31/2034	1.25% - 5.00%	12,045,000
	<b>TOTAL</b>				\$ 162,700,000

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The below table provides the City's outstanding general obligation debt service as of the issuance of the Bonds.

**Total General Obligation Debt Service**

Year Ending	Outstanding G.O. Debt		The Bonds		Total Debt Service
	Principal	Interest	Principal	Interest	
12/31/2014	\$ 14,005,000	\$ 5,639,220	--	--	\$ 19,644,220
12/31/2015	13,960,000	5,031,235	\$ 345,000	\$ 561,727	19,897,962
12/31/2016	14,585,000	4,565,083	470,000	432,713	20,052,795
12/31/2017	14,645,000	4,116,529	475,000	426,838	19,663,366
12/31/2018	13,140,000	3,583,793	480,000	418,525	17,622,318
12/31/2019	9,560,000	3,137,508	500,000	399,325	13,596,833
12/31/2020	8,535,000	2,795,030	510,000	379,325	12,219,355
12/31/2021	9,045,000	2,466,542	530,000	358,925	12,400,467
12/31/2022	8,695,000	2,118,983	550,000	332,425	11,696,408
12/31/2023	8,195,000	1,801,883	575,000	304,925	10,876,808
12/31/2024	6,285,000	1,512,658	600,000	276,175	8,673,833
12/31/2025	6,535,000	1,264,276	590,000	246,175	8,635,451
12/31/2026	5,495,000	994,676	620,000	216,675	7,326,351
12/31/2027	4,560,000	752,851	650,000	185,675	6,148,526
12/31/2028	3,600,000	557,751	670,000	166,175	4,993,926
12/31/2029	2,785,000	411,181	690,000	146,075	4,032,256
12/31/2030	2,395,000	299,606	710,000	125,375	3,529,981
12/31/2031	2,495,000	200,100	735,000	104,075	3,534,175
12/31/2032	1,360,000	95,713	755,000	80,188	2,290,900
12/31/2033	835,000	39,663	780,000	55,650	1,710,313
12/31/2034	--	--	810,000	28,350	838,350
Subtotal	<u>150,710,000</u>	<u>41,384,278</u>	<u>12,045,000</u>	<u>5,245,315</u>	<u>209,384,593</u>
Less Payments by 8/21/2014	<u>(55,000)</u>	<u>(2,901,348)</u>	<u>--</u>	<u>--</u>	<u>(2,956,348)</u>
Total	<u>150,655,000</u>	<u>38,482,930</u>	<u>12,045,000</u>	<u>5,245,315</u>	<u>206,428,244</u>

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A portion of the debt service on the City's outstanding general obligation bonds is scheduled to be paid from sources other than general property taxes levied throughout the City. These sources include incremental taxes in tax increment areas, special service area taxes and revenues from various enterprise funds including sewer services fees. The City's total general obligation debt service schedule and portion expected to be abated is presented in the table below.

**Total and Scheduled for Abatement General Obligation Debt Service**

**Levy Supported General Obligation Debt Service**

Year <u>Ending</u>	Outstanding G.O. Debt		Scheduled for Abatement		Net <u>Debt Service</u>
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	
12/31/2014	\$ 14,005,000	\$ 5,639,220	(6,420,073)	(1,592,363)	\$ 11,631,783
12/31/2015	14,305,000	5,592,962	(6,638,993)	(1,433,224)	11,825,745
12/31/2016	15,055,000	4,997,795	(6,172,909)	(1,169,439)	12,710,447
12/31/2017	15,120,000	4,543,366	(6,300,083)	(987,894)	12,375,389
12/31/2018	13,620,000	4,002,318	(5,207,807)	(739,651)	11,674,860
12/31/2019	10,060,000	3,536,833	(2,067,755)	(566,226)	10,962,852
12/31/2020	9,045,000	3,174,355	(948,262)	(497,079)	10,774,014
12/31/2021	9,575,000	2,825,467	(978,182)	(462,761)	10,959,524
12/31/2022	9,245,000	2,451,408	(1,011,646)	(425,916)	10,258,845
12/31/2023	8,770,000	2,106,808	(1,050,349)	(387,462)	9,438,997
12/31/2024	6,885,000	1,788,833	(1,068,970)	(347,389)	7,257,473
12/31/2025	7,125,000	1,510,451	(1,086,619)	(305,875)	7,242,957
12/31/2026	6,115,000	1,211,351	(1,069,292)	(261,833)	5,995,227
12/31/2027	5,210,000	938,526	(1,106,974)	(216,585)	4,824,968
12/31/2028	4,270,000	723,926	(992,743)	(172,695)	3,828,489
12/31/2029	3,475,000	557,256	(802,656)	(134,836)	3,094,765
12/31/2030	3,105,000	424,981	(831,464)	(105,391)	2,593,127
12/31/2031	3,230,000	304,175	(860,274)	(74,387)	2,599,514
12/31/2032	2,115,000	175,900	(605,000)	(41,525)	1,644,375
12/31/2033	1,615,000	95,313	(325,000)	(19,838)	1,365,475
12/31/2034	810,000	28,350	(190,000)	(6,650)	641,700
<b>Total</b>	<b>162,755,000</b>	<b>46,629,593</b>	<b>(45,735,051)</b>	<b>(9,949,017)</b>	<b>153,700,525</b>

**Overlapping Debt**

**Overlapping General Obligation Bonded Debt**

(As of December 31, 2013)

<u>Taxing Body</u> <sup>(1)</sup>	<u>Outstanding Debt</u>	<u>Percent</u>	<u>Amount</u>
Cook County	\$ 3,616,435,000	1.85%	\$ 66,754,529
Cook County Forest Preserve District	131,500,000	1.85%	2,427,313
Metropolitan Water Reclamation District	2,185,397,538	1.88%	41,179,575
Skokie Park District	6,675,000	0.65%	43,209
Evanston Special Service Area Number 5	300,000	96.87%	290,624
Community Consolidated School District Number 65	69,326,112	90.11%	62,470,120
Township High School District Number 202	15,907,183	90.11%	14,334,045
Community College District No. 535	23,510,000	11.63%	2,734,773
<b>Total Overlapping General Obligation Bonded Debt</b>			<b>\$ 190,234,187</b>

Source: Cook County Clerk's Offices

<sup>(1)</sup> Does not include Alternate Revenue Bonds.

## Debt Ratios

<u>Metric</u>	<u>Value</u>
True Value (2011)	\$ 8,182,102,719
EAV (2011)	2,727,367,573
Population (2010)	75,549
Direct Debt (Property Tax Supported)	\$ 116,259,949
Direct Debt (Supported by Other Sources)	45,685,051
Total Direct Debt	\$ 161,945,000
Total Overlapping Debt	\$ 197,418,443

<u>Debt Ratio</u>	<u>All General Obligation Debt</u>	<u>General Obligation Debt (Less Self Supporting Debt)</u>
Direct Debt Per True Value	1.98%	1.42%
Direct Debt Per EAV	5.94%	4.26%
Direct Debt Per Capita	\$ 2,144	\$ 1,539
Direct and Overlapping Debt Per True Value	4.39%	3.83%
Direct and Overlapping Debt Per EAV	13.18%	11.50%
Direct and Overlapping Debt Per Capita	\$ 4,757	\$ 4,152

## General Obligation Debt Trends

<u>Year Ending</u>	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total General Obligation</u>
12/31/2013	\$ 117,531,511	\$ 30,411,358	\$ 147,942,869
12/31/2012	120,938,742	33,221,257	154,159,999
12/31/2011	122,579,206	35,115,794	157,695,000
2/28/2011	117,322,439	36,212,561	153,535,000
2/28/2010	111,233,880	40,236,120	151,470,000
2/28/2009	118,126,135	55,983,865	174,110,000
2/29/2008	118,005,000	66,530,000	184,535,000
2/28/2007	113,990,000	76,825,000	190,815,000
2/28/2006	161,825,000	37,385,000	199,210,000
2/28/2005	147,045,000	43,655,000	190,700,000

## Future Financings

The City does not plan on issuing additional debt during calendar year 2014.

## REAL PROPERTY TAXATION

As a home rule municipality, the City has the ability to levy real property taxes on the taxable property in the City without limitation as to rate or amount. The City levies real property taxes for general government purposes, pension contributions and general obligation debt service. Real property taxes are applied to taxable property based on its assessed value (less various exemptions), as equalized among counties by the Illinois Department of Revenue. This is referred to as the equalized assessed valuation or “EAV.” See “Real Property Assessment, Tax Levy and Collections Procedures.”

Taxable property is reassessed every three years. The next reassessment period is tax year 2016. The following table shows the City’s EAV in recent years. The taxes collected in 2013 were payable with respect to the EAV for tax year 2012. The EAV of property for tax year 2012 was approximately \$2.5 billion which does not include approximately \$152 million of EAV included in TIF districts (see “Tax Increment Financing” herein.

### Historic Equalized Assessed Valuation <sup>(1)</sup>

<u>Tax Year</u>	<u>Total</u>	<u>% Change</u>
2013	\$ 2,201,697,038	-12.44%
2012	2,514,621,552	-7.80%
2011	2,727,367,573	-10.34%
2010	3,041,884,087	-7.99%
2009	3,305,989,369	12.51%
2008	2,938,397,892	5.99%
2007	2,772,340,028	23.44%
2006	2,245,892,746	0.14%
2005	2,242,753,022	7.02%
2004	2,095,611,570	21.33%

(1) Incremental EAV in Tax Increment Districts not included.

Source: Cook County Clerk’s Office

Property owned by not-for-profit colleges, universities and hospitals is not subject to real property taxation. Northwestern University, the City’s largest employer, does not pay property taxes on educational properties. The University does pay its share of water and sewer charges, utilities taxes, permit fees and other charges for services.

### Equalized Assessed Valuation by Classification of Property <sup>(1)</sup>

	<u>2010</u>		<u>2011</u>		<u>2012</u>	
Residential	\$2,233,194,054	73.41%	\$2,100,690,657	77.02%	\$1,944,932,067	77.34%
Farm	15,956	0.00%	15,956	0.00%	15,956	0.00%
Commercial	623,156,869	20.49%	513,880,731	18.84%	462,671,239	18.40%
Industrial	184,687,438	6.07%	111,899,205	4.10%	106,007,084	4.22%
Railroad	829,769	0.03%	881,024	0.03%	995,206	0.04%
<b>Total EAV</b>	<b>\$3,041,884,087</b>	<b>100.00%</b>	<b>\$2,727,367,573</b>	<b>100.00%</b>	<b>\$2,514,621,552</b>	<b>100.00%</b>

(1) Does not include incremental EAV in redevelopment project areas. See “Tax Incremental Financing” below. The incremental 2012 EAV in redevelopment project areas was \$152,182,888

\* Percentages may not add to 100% because of rounding.

Source: Cook County Clerk’s Office

## Tax Increment Financing

Under Illinois law, municipalities may designate particular areas as redevelopment project areas and may provide for tax increment financing for redevelopment project costs in those “TIF” areas. In a TIF area, collections of real property taxes levied by all taxing bodies, to the extent attributed to increases in the EAV of the TIF area over its EAV when the TIF area was so designated, are deposited in a special tax allocation fund of the municipality and are available for use by the municipality to pay qualified redevelopment costs with respect to the TIF area. Qualified redevelopment costs include, among other items, costs of construction of public works or improvements, costs of rehabilitation of public or private buildings and costs of land acquisition. Amounts in the special tax allocation fund for a TIF area also may be used to pay debt service on bonds issued by the municipality for qualified redevelopment costs of that area (“TIF bonds”). To the extent that the tax collections in respect of a TIF area are deposited in the special tax allocation fund and used for qualified redevelopment costs or related debt service, they are not available for other governmental purposes, including paying unrelated General Obligation Bonds of the municipality.

As of tax year 2013 the City has designated six TIF areas. The total EAV increment of these areas for this tax year totaled \$162,748,327. The EAV for these areas at the time the areas were so designated (the base or “frozen” value) was \$99,531,184.

	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
Frozen Value	\$ 77,225,187	\$ 77,225,187	\$ 77,225,187	\$ 77,225,187	\$ 99,531,184
Incremental	<u>114,745,713</u>	<u>116,885,444</u>	<u>90,332,486</u>	<u>74,957,701</u>	<u>63,217,143</u>
TOTAL EAV	\$191,970,900	\$194,110,631	\$167,557,673	\$152,182,888	\$162,748,327

TIF bonds may, in some cases, also be general obligations of the municipality. In that case general obligation bonds, in addition to their other claims for payment, may have a claim for payment from the amounts on deposit in the special tax allocation fund for that TIF area.

## Special Service Areas

Under Illinois law, municipalities may establish special service areas and may levy real property taxes with respect to taxable real property within the special service area to pay costs of special municipal services for the area or to pay debt service on bonds of the municipality issued to provide those special services.

The City has established a number of special service areas for the upgrade of streets and sidewalks in its central business district. Taxes levied and collected with respect to special service areas are not shown as general revenues of the City.

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## City Property Taxes

The following table shows the collection history for real property taxes levied by the City.

### Tax Extensions and Collections

<u>Levy Year</u>	<u>Collection Year</u>	<u>Taxes Extended</u>	<u>Taxes Collected and Distributed</u>	<u>Percent Collected</u>
2013	2014	\$ 43,869,798	n.a.	n.a.
2012	2013	43,330,121	\$ 41,776,375	96.41%
2011	2012	43,397,590	42,064,756	96.93%
2010	2011	41,479,398	39,412,004	95.02%
2009	2010	39,779,364	38,018,159	95.57%
2008	2009	38,044,671	36,246,629	95.27%
2007	2008	35,550,694	34,061,461	95.81%
2006	2007	34,399,146	33,249,612	96.66%
2005	2006	33,423,311	32,550,464	97.39%
2004	2005	32,100,657	30,991,234	96.54%

The following table shows the ten largest real property taxpayers in the City.

### Ten Largest Real Property Taxpayers

<u>Taxpayer</u>	<u>Type of Business</u>	<u>2012 Equalized Assessed Values</u>	<u>Percentage of Total City EAV</u>
Rotary International	Non-profit organization	\$ 26,455,653	1.05%
FSP 909 Davis Street	Commercial buildings	22,446,966	0.89%
Lowe Enterprises	Commercial Building	20,116,557	0.80%
Church St. Plaza	Commercial, retail,	17,212,299	0.68%
Inland	Commercial, retail building	15,813,891	0.63%
Omni Orrington Hotel	Hotel	13,735,032	0.55%
North Shore University Health	Commercial buildings	12,992,934	0.52%
TIAA Pk Evanston Inc	Commercial buildings	11,422,707	0.45%
Evanston Hotel Association	Hotel	10,999,668	0.44%
Cambridge Realty Group	Commercial buildings	10,786,782	0.43%
Top Ten Total		<u>\$ 161,982,490</u>	<u>6.44%</u>
City Total 2012 EAV		<u>2,514,621,552</u>	

Source: City of Evanston CAFR for fiscal year ended December 31, 2013.



Property tax rates for City purposes, as well as rates for governmental bodies that substantially overlap the City are shown below.

**Historic City Tax Rates**  
(Per \$100 EAV)

<u>Fund</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
Corporate	\$0.5120	\$0.5485	\$0.6117	\$0.4984	\$0.5576
Bond & Interest	0.3129	0.3625	0.4439	0.4788	0.5468
Police Pension	0.2077	0.2495	0.3067	0.3274	0.3740
Fire Pension	0.1706	0.2032	0.2289	0.2460	0.2809
<b>TOTAL</b>	<b>\$1.2032</b>	<b>\$1.3637</b>	<b>\$1.5912</b>	<b>\$1.5506</b>	<b>\$1.7593</b>

**Tax Rates for Overlapping Taxing Agencies**  
(Taxes Billed in 2013 – Per \$1,000 EAV)

<u>Taxing Agency</u>	<u>2013 Rate</u>
<b>City of Evanston</b>	<b>\$ 1.759</b>
Cook County	0.560
Cook County Forest Preserve District	0.069
Suburban TB Sanitarium	--
Consolidated Elections	--
Town of Evanston	0.011
General Assistance	0.042
Metropolitan Water Reclamation District	0.417
North Shore Mosquito Abatement District	0.007
Elementary School District No. 65	3.671
Evanston Township High School District No. 202	2.689
Oakton Community College District No. 535	0.256
<b>TOTAL</b>	<b>\$ 9.482</b>

**Real Property Assessment, Tax Levy and Collection Procedures**

The following is a summary of general property tax assessment, levy and collection procedures in Cook County, Illinois.

**Real Property Assessment.** The County Assessor (the “Assessor”) is responsible for the assessment of all taxable real property within Cook County (the “County”), including such property located within the boundaries of the City, except for certain railroad property, pollution control facilities and low sulfur dioxide emission coal-fueled devices, which are assessed directly by the Illinois Department of Revenue (the “Department of Revenue”). For triennial reassessment purposes, Cook County is divided into three districts: west and south suburbs (the “South Tri”), north and northwest suburbs (the “North Tri”), and the City of Chicago (the “City Tri”). The City is located in the North Tri and was reassessed for the 2010 tax levy year.

In response to the downturn of the real estate market, the Assessor reduced the 2009 assessed value on suburban residential properties (specifically, those properties located in the South Tri and the North Tri) not originally scheduled for reassessment in 2009. For tax year 2009, each suburban township received an adjustment percentage for tax year 2009, lowering the existing assessed values of all residential properties in such township within a range of 4% to 15%, beginning with the second-installment tax bills payable in the fall of 2010.

Real property in the County is separated into classes for assessment purposes. After the Assessor establishes the fair market value of a parcel of property, that value is multiplied by the appropriate classification percentage to arrive at the assessed valuation (the “Assessed Valuation”) for the parcel. Such classification

percentages range from 10% for certain residential, commercial and industrial property to 25% for other industrial and commercial property.

Property is classified for assessment into six basic categories, each of which is assessed (beginning with the 2009 tax levy year) at various percentages of fair market value as follows: Class 1 - unimproved real estate (10%); Class 2 - residential (10%); Class 3 - rental-residential (16% in tax year 2009, 13% in tax year 2010, and 10% in tax year 2011 and subsequent years); Class 4 - not-for-profit (25%); Class 5a - commercial (25%); and Class 5b - industrial (25%). In addition, property may be temporarily classified into one of eight additional assessment classification categories. Upon expiration of such classification, property so classified will revert to one of the basic six assessment classifications described above.

The Assessor has established procedures enabling taxpayers to contest their proposed Assessed Valuations. Once the Assessor certifies its final Assessed Valuations, a taxpayer can seek review of its assessment by appealing to the Cook County Board of Review (the "Board of Review"), which consists of three commissioners elected by the voters of the County. The Board of Review has the power to adjust the Assessed Valuations set by the Assessor.

Owners of residential property having six or fewer units are able to appeal decisions of the Board of Review to the Illinois Property Tax Appeal Board (the "PTAB"), a statewide administrative body. The PTAB has the power to determine the Assessed Valuation of real property based on equity and the weight of the evidence. Taxpayers may appeal the decision of PTAB to either the Circuit Court of Cook County (the "Circuit Court") or the Illinois Appellate Court under the Illinois Administrative Review Law.

As an alternative to seeking review of Assessed Valuations by PTAB, taxpayers who have first exhausted their remedies before the Board of Review may file an objection in the Circuit Court. The procedure under this alternative is similar to the judicial review procedure described in the immediately preceding paragraph, however, the standard of proof differs. In addition, in cases where the Assessor agrees that an assessment error has been made after tax bills have been issued, the Assessor can correct any factual error, and thus reduce the amount of taxes due, by issuing a Certificate of Error. Certificates of Error are not issued in cases where the only issue is the opinion of the valuation of the property.

**Equalization.** After the Assessor has established the Assessed Valuation for each parcel for a given year, and following any revisions by the Board of Review or PTAB, the Department of Revenue is required by statute to review the Assessed Valuations. The Department of Revenue establishes an equalization factor (the "Equalization Factor"), commonly called the "multiplier," for each county to make all valuations uniform among the 102 counties in the State of Illinois (the "State"). Under State law, the aggregate of the assessments within each county is equalized at 33-1/3% of the estimated fair cash value of real property located within the county prior to any applicable exemptions. One multiplier is applied to all property in the County, regardless of its assessment category, except for certain farmland property and wind energy assessable property, which are not subject to equalization.

Once the Equalization Factor is established, the Assessed Valuation, as revised by the Board of Review or PTAB, is multiplied by the Equalization Factor to determine the equalized assessed valuation (the "EAV") of that parcel. The EAV for each parcel is the final property valuation used for determination of tax liability. The aggregate EAV for all parcels in any taxing body's jurisdiction, plus the valuation of property assessed directly by the Department of Revenue, constitute the total real estate tax base for the taxing body, which is used to calculate tax rates (the "Assessment Base").

**Exemptions.** The Illinois Property Tax Code, as amended (the "Property Tax Code"), exempts certain property from taxation. Certain property is exempt from taxation on the basis of ownership and/or use, including, but not limited to, public parks, not-for-profit schools, public schools, churches, not-for-profit hospitals and public hospitals. In addition, the Property Tax Code provides a variety of homestead exemptions.

**Tax Levy.** As part of the annual budgetary process of governmental units (the "Units") with power to levy taxes in the County, the designated body for each Unit annually adopts proceedings to levy real estate taxes. The administration and collection of real estate taxes is statutorily assigned to the County Clerk and the County Treasurer. After the Units file their annual tax levies, the County Clerk computes the annual tax rate for each Unit.

**Extensions.** The County Clerk then computes the total tax rate applicable to each parcel of real property by aggregating the tax rates of all of the Units having jurisdiction over the particular parcel. The County Clerk extends the tax by entering the tax (determined by multiplying the total tax rate by the EAV of that parcel for the current assessment year) in the books prepared for the County Collector (the "Warrant Books") along with the tax

rates, the Assessed Valuation and the EAV. The Warrant Books are the County Collector’s authority for the collection of taxes and are used by the County Collector as the basis for issuing tax bills to all property owners.

**Collections.** Property taxes are collected by the County Collector, who also serves as the County Treasurer, who remits to each Unit its share of the collections. Taxes levied in one year become payable during the following year in two installments, the first due on March 1 and the second on the later of August 1 or 30 days after the mailing of the tax bills. A payment due is deemed to be paid on time if the payment is postmarked on the due date. Beginning with the first installment payable in 2010, the first installment is equal to 55% of the prior year’s tax bill. However, if a Certificate of Error is approved by a court or certified on or before November 30 of the preceding year and before the estimated tax bills are prepared, then the first installment is instead based on the certain percentage of the corrected prior year’s tax bill. The second installment covers the balance of the current year’s tax bill, and is based on the then current tax year levy, Assessed Valuation and Equalization Factor, and reflects any changes from the prior year in those factors. The first installment penalty date has been the first business day in March for each of the last ten years. However, for 2010, the first installment penalty date was established as April 1 by statute. The following table sets forth the second installment penalty date for the last ten tax levy years in the County.

<u>Tax Levy Year</u>	<u>Second Installment Penalty Date</u>
2003	November 15, 2004
2004	November 2, 2005
2005	September 1, 2006
2006	December 3, 2007
2007	November 3, 2008
2008	December 1, 2009
2009	December 13, 2010
2010	November 1, 2011
2011	August 1, 2012
2012	August 1, 2013

It is possible that the changes to the assessment appeals process described above will cause delays similar to those experienced in past years in preparation and mailing of the second installment in future years. In the future, the County may provide for tax bills to be payable in four installments instead of two.

During the periods of peak collections, tax receipts are forwarded to each Unit on a weekly basis. Upon receipt of taxes from the County Collector, the City promptly credits the taxes received to the funds for which they were levied.

Within 90 days following the second installment due date, the County Collector presents the Warrant Books to the Circuit Court and applies for a judgment for all unpaid taxes. The court orders resulting from the application for judgment provides for an Annual Tax Sale (the “Annual Tax Sale”) of unpaid taxes shown on that year’s Warrant Books. A public sale is held, at which time successful tax buyers pay the unpaid taxes plus penalties. In each such public sale, the collector can use any “automated means.” Unpaid taxes accrue penalties at the rate of 1.5% per month from their due date until the date of sale. Taxpayers can redeem their property by paying the amount paid at the sale, plus a maximum of 12% for each six-month period after the sale. If no redemption is made within the applicable redemption period (ranging from six months to two and a half years depending on the type and occupancy of the property) and the tax buyer files a petition in the Circuit Court, notifying the necessary parties in accordance with the applicable law, the tax buyer receives a deed to the property. In addition, there are miscellaneous statutory provisions for foreclosure of tax liens.

If there is no sale of the tax lien on a parcel of property at the Annual Tax Sale, the taxes are forfeited and the property becomes eligible to be purchased at any time thereafter at an amount equal to all delinquent taxes and interest accrued to the date of purchase. Redemption periods and procedures are the same as applicable to the Annual Tax Sale.

The Scavenger Sale (the “Scavenger Sale”), like the Annual Tax Sale, is a sale of unpaid taxes. The Scavenger Sale is held every two years on all property on which two or more years’ taxes are delinquent. The sale price of the unpaid taxes is the amount bid at such sale, which may be less than the amount of delinquent taxes.

Redemption periods vary from six months to two and a half years depending upon the type and occupancy of the property.

## **TAX EXEMPTION**

Federal tax law contains a number of requirements and restrictions which apply to the Bonds, including investment restrictions, periodic payments of arbitrage profits to the United States, requirements regarding the proper use of bond proceeds and the facilities financed therewith, and certain other matters. The City has covenanted to comply with all requirements that must be satisfied in order for the interest on the Bonds to be excludable from gross income for federal income tax purposes. Failure to comply with certain of such covenants could cause the interest on the Bonds to become includible in gross income for federal income tax purposes retroactively to the date of issuance of the Bonds.

Subject to the City's compliance with the above-referenced covenants, under present law, in the opinion of Bond Counsel, interest on the Bonds is excludable from the gross income of the owners thereof for federal income tax purposes, and is not included as an item of tax preference in computing the federal alternative minimum tax for individuals and corporations, but interest on the Bonds is taken into account, however, in computing an adjustment used in determining the federal alternative minimum tax for certain corporations.

In rendering its opinion, Bond Counsel will rely upon certifications of the City with respect to certain material facts within the City's knowledge. Bond Counsel's opinion represents its legal judgment based upon its review of the law and the facts that it deems relevant to render such opinion, and is not a guarantee of a result.

The Internal Revenue Code of 1986, as amended (the "Code"), includes provisions for an alternative minimum tax ("AMT") for corporations in addition to the corporate regular tax in certain cases. The AMT, if any, depends upon the corporation's alternative minimum taxable income ("AMTI"), which is the corporation's taxable income with certain adjustments. One of the adjustment items used in computing the AMTI of a corporation (with certain exceptions) is an amount equal to 75% of the excess of such corporation's "adjusted current earnings" over an amount equal to its AMTI (before such adjustment item and the alternative tax net operating loss deduction). "Adjusted current earnings" would include certain tax-exempt interest, including interest on the Bonds.

Ownership of the Bonds may result in collateral federal income tax consequences to certain taxpayers, including, without limitation, corporations subject to the branch profits tax, financial institutions, certain insurance companies, certain S corporations, individual recipients of Social Security or Railroad Retirement benefits and taxpayers who may be deemed to have incurred (or continued) indebtedness to purchase or carry tax-exempt obligations. Prospective purchasers of the Bonds should consult their tax advisors as to applicability of any such collateral consequences.

The issue price (the "Issue Price") for each maturity of the Bonds is the price at which a substantial amount of such maturity of the Bonds is first sold to the public. The Issue Price of a maturity of the Bonds may be different from the price set forth, or the price corresponding to the yield set forth, on the inside cover page hereof.

If the Issue Price of a maturity of the Bonds is less than the principal amount payable at maturity, the difference between the Issue Price of each such maturity, if any, of the Bonds (the "OID Bonds") and the principal amount payable at maturity is original issue discount.

For an investor who purchases an OID Bond in the initial public offering at the Issue Price for such maturity and who holds such OID Bond to its stated maturity, subject to the condition that the City complies with the covenants discussed above, (a) the full amount of original issue discount with respect to such OID Bond constitutes interest which is excludable from the gross income of the owner thereof for federal income tax purposes; (b) such owner will not realize taxable capital gain or market discount upon payment of such OID Bond at its stated maturity; (c) such original issue discount is not included as an item of tax preference in computing the alternative minimum tax for individuals and corporations under the Code, but is taken into account in computing an adjustment used in determining the alternative minimum tax for certain corporations under the Code, as described above; and (d) the accretion of original issue discount in each year may result in an alternative minimum tax liability for corporations or certain other collateral federal income tax consequences in each year even though a corresponding cash payment may not be received until a later year. Based upon the stated position of the Illinois Department of Revenue under Illinois income tax law, accreted original discount on such OID Bonds is subject to taxation as it accretes, even though there may not be a corresponding cash payment until a later year. Owners of OID Bonds

should consult their own tax advisors with respect to the state and local tax consequences of original issue discount on such OID Bonds.

Owners of Bonds who dispose of Bonds prior to the stated maturity (whether by sale, redemption or otherwise), purchase Bonds in the initial public offering, but at a price different from the Issue Price or purchase Bonds subsequent to the initial public offering should consult their own tax advisors.

If a Bond is purchased at any time for a price that is less than the Bond's stated redemption price at maturity or, in the case of an OID Bond, its Issue Price plus accreted original issue discount (the "Revised Issue Price"), the purchaser will be treated as having purchased a Bond with market discount subject to the market discount rules of the Code (unless a statutory *de minimis* rule applies). Accrued market discount is treated as taxable ordinary income and is recognized when a Bond is disposed of (to the extent such accrued discount does not exceed gain realized) or, at the purchaser's election, as it accrues. Such treatment would apply to any purchaser who purchases an OID Bond for a price that is less than its Revised Issue Price. The applicability of the market discount rules may adversely affect the liquidity or secondary market price of such Bond. Purchasers should consult their own tax advisors regarding the potential implications of market discount with respect to the Bonds.

An investor may purchase a Bond at a price in excess of its stated principal amount. Such excess is characterized for federal income tax purposes as "bond premium" and must be amortized by an investor on a constant yield basis over the remaining term of the Bond in a manner that takes into account potential call dates and call prices. An investor cannot deduct amortized bond premium relating to a tax-exempt bond. The amortized bond premium is treated as a reduction in the tax-exempt interest received. As bond premium is amortized, it reduces the investor's basis in the Bond. Investors who purchase a Bond at a premium should consult their own tax advisors regarding the amortization of bond premium and its effect on the Bond's basis for purposes of computing gain or loss in connection with the sale, exchange, redemption or early retirement of the Bond.

There are or may be pending in the Congress of the United States legislative proposals, including some that carry retroactive effective dates, that, if enacted, could alter or amend the federal tax matters referred to above or affect the market value of the Bonds. It cannot be predicted whether or in what form any such proposal might be enacted or whether, if enacted, it would apply to bonds issued prior to enactment. Prospective purchasers of the Bonds should consult their own tax advisors regarding any pending or proposed federal tax legislation. Bond Counsel expresses no opinion regarding any pending or proposed federal tax legislation.

The Internal Revenue Service (the "Service") has an ongoing program of auditing tax-exempt obligations to determine whether, in the view of the Service, interest on such tax-exempt obligations is includible in the gross income of the owners thereof for federal income tax purposes. It cannot be predicted whether or not the Service will commence an audit of the Bonds. If an audit is commenced, under current procedures the Service may treat the City as a taxpayer and the Bondholders may have no right to participate in such procedure. The commencement of an audit could adversely affect the market value and liquidity of the Bonds until the audit is concluded, regardless of the ultimate outcome.

Payments of interest on, and proceeds of the sale, redemption or maturity of, tax-exempt obligations, including the Bonds, are in certain cases required to be reported to the Service. Additionally, backup withholding may apply to any such payments to any Bond owner who fails to provide an accurate Form W-9 Request for Taxpayer Identification Number and Certification, or a substantially identical form, or to any Bond owner who is notified by the Service of a failure to report any interest or dividends required to be shown on federal income tax returns. The reporting and backup withholding requirements do not affect the excludability of such interest from gross income for federal tax purposes.

The interest on the Bonds is not exempt from present Illinois income taxes. Ownership of the Bonds may result in other state and local tax consequences to certain taxpayers. Bond Counsel expresses no opinion regarding any such collateral consequences arising with respect to the Bonds. Prospective purchasers of the Bonds should consult their tax advisors regarding the applicability of any such state and local taxes.

### **Not Qualified Tax-Exempt Obligations**

The City will not designate the Bonds as "qualified tax-exempt obligations" for purposes of Section 265(b)(3) of the Code relating to the ability of financial institutions to deduct from income, for federal income tax purposes, interest expense that is allocable to carrying and acquiring tax-exempt obligations.

## **RATING**

The Bonds are rated “Aa1” by Moody’s Investors Service, Inc. and “AA+” by Fitch Ratings. Such ratings reflect only the views of such organizations and any desired explanation of the significance of such ratings should be obtained from the rating agency furnishing the same, at the following addresses: Moody’s Investors Service, 99 Church Street, New York, New York 10007; Fitch Ratings, 70 West Madison Street, Chicago, Illinois 60602. Generally, a rating agency bases its rating on the information and materials furnished to it and on investigations, studies and assumptions of its own. There is no assurance such ratings will not be revised downward or withdrawn entirely by the rating agencies, if in the judgment of such rating agencies, circumstances so warrant. Any such downward revision or withdrawal of such ratings may have an adverse effect on the market price of the Bonds. Such ratings are not to be construed as recommendations of the rating agencies to buy, sell or hold the Bonds, and the ratings assigned by the rating agencies should be evaluated independently.

## **UNDERWRITING**

Bids for the Bonds were received at a competitive public sale on August 6, 2014.

J.P. Morgan Securities LLC (the “Underwriter”) has agreed, subject to the conditions of closing set forth in the Notice of Sale, to purchase the Bonds at a purchase price of \$12,859,372.73 (consisting of the par amount of the Bonds, plus net original issue premium of \$901,258.95, less an underwriter's discount of \$86,886.22), plus accrued interest, if any.

The Bonds will be offered at the respective initial public offering prices which produce the yields shown on the inside cover page of this Official Statement. After the Bonds are released for sale to the public, the initial public offering prices and other selling terms may from time to time be varied by the Underwriter.

## **LITIGATION**

The City is subject from time to time to litigation in the ordinary course of its activities, including land use issues, employment and traffic accidents, among other matters.

There is no controversy or litigation of any nature now pending or, to the knowledge of the City, threatened to restrain or enjoin the issuance, sale, execution or delivery of the Bonds or the levy and collection of taxes to pay the debt service on the Bonds; or questioning the proceedings or authority pursuant to which the Bonds are issued and taxes levied; or questioning or relating to the validity of the Bonds, or contesting the corporate existence of the City or the titles of its present officers to their respective offices.

## **FINANCIAL ADVISOR**

The City has engaged Public Financial Management, Inc. (the “Financial Advisor”) in connection with the City’s issuance and sale of the Bonds. Under the terms of their engagement, the Financial Advisor are not obligated to undertake any independent verification of or assume any responsibility for the accuracy, completeness, or fairness of the information contained in this Official Statement.

## **LEGAL MATTERS**

Certain legal matters incident to the authorization, issuance and sale of the Bonds are subject to the approving legal opinion of Chapman and Cutler LLP, Chicago, Illinois, as Bond Counsel (the “Bond Counsel”), who has been retained by, and acts as, Bond Counsel to the City. Bond Counsel has not been retained or consulted on disclosure matters and has not undertaken to review or verify the accuracy, completeness or sufficiency of this Official Statement or other offering material relating to the Bonds and assumes no responsibility for the statements or information contained in or incorporated by reference in this Official Statement, except that in its capacity as Bond Counsel, Chapman and Cutler LLP has, at the request of the City, reviewed the information under the captions “TAX EXEMPTION” and “Not Qualified Tax-Exempt Obligations”. This review was undertaken solely at the request and for the benefit of the City and did not include any obligation to establish or confirm factual matters set forth herein. Certain legal matters in conjunction with the issuance of the Bonds will be passed upon for the City by its Law Department.

**CLOSING CERTIFICATE**

The City will provide to the purchaser at the time of delivery of the Bonds, a certificate confirming to the purchaser that, to the best of their knowledge and belief, the Official Statement, together with any supplements to it, at the time of acceptance of the Purchase Contract and at the time of delivery of the Bonds, was true and correct in all material respects and did not at any time contain any untrue statement of a material fact or omit to state a material fact required to be stated, where necessary to make the statements, in light of the circumstances under which they were made, not misleading.

This Official Statement has been duly approved, executed and delivered by the City.

City of Evanston,  
Cook County, Illinois

By:       /s/        
          City Manager

By:       /s/        
          Mayor

**CITY OF EVANSTON ANNUAL FINANCIAL REPORT  
FOR FISCAL YEAR ENDING DECEMBER 31, 2013  
(EXCERPTS)**

The Auditor was not asked to perform any additional review in connection with this Official Statement





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## INDEPENDENT AUDITORS' REPORT

To the Honorable Elizabeth B. Tisdahl, Mayor and  
Members of the City Council  
City of Evanston  
Evanston, Illinois

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Evanston, Illinois, as of and for the year ended December 31, 2013, and the related notes to the financial statements, which collectively comprise the City of Evanston's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### ***Auditors' Responsibility***

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control over financial reporting relevant to the City of Evanston's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances but not for the purpose of expressing an opinion on the effectiveness of the City of Evanston's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

To the Honorable Elizabeth B. Tisdahl, Mayor and  
Members of the City Council  
City of Evanston

### **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Evanston, Illinois, as of December 31, 2013 and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### **Emphasis of Matter**

As discussed in Note 1, the City of Evanston adopted the provisions of GASB Statement No. 61, *The Financial Reporting Entity: Omnibus - an Amendment of GASB Statements No. 14 and No. 34*, effective January 1, 2013. Fund Balance and Net Position as of December 31, 2012, has been restated as a result. Our opinions are not modified with respect to this matter.

As discussed in Note 1, the City of Evanston adopted the provisions of GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, effective January 1, 2013. Our opinions are not modified with respect to this matter.

### **Other Matters**

#### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the schedules of funding progress, the schedules of employer contribution and the general fund budgetary comparison schedule as listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

#### *Supplementary Information*

Our audit for the year ended December 31, 2013 was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Evanston's basic financial statements. The combining and individual fund statements and schedules for the year ended December 31, 2013 as listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements for the year ended December 31, 2013, and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual fund statements and schedules are fairly stated in all material respects, in relation to the basic financial statements as a whole for the year ended December 31, 2013.

To the Honorable Elizabeth B. Tisdahl, Mayor and  
Members of the City Council  
City of Evanston


We also previously audited, in accordance with auditing standards generally accepted in the United States of America, the basic financial statements of the City of Evanston as of and for the year ended December 31, 2012 (not presented herein), and have issued our report thereon dated June 28, 2013, which contained unmodified opinions on the respective financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information. The combining and individual fund statements and schedules for the year ended December 31, 2012 are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the 2012 financial statements. The information has been subjected to the auditing procedures applied in the audit of the 2012 basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare those financial statements or to those financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual fund statements and schedules are fairly stated in all material respects in relation to the basic financial statements as a whole for the year ended December 31, 2012.

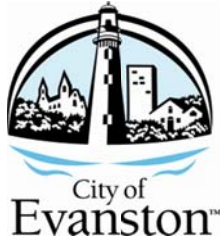
*Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Evanston's basic financial statements. The introductory section and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we will issue a report on our consideration of the City of Evanston's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Evanston's internal control over financial reporting and compliance.

  
Oak Brook, Illinois  
July 2, 2014



## MANAGEMENT'S DISCUSSION AND ANALYSIS

DECEMBER 31, 2013

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The City of Evanston (the City) Discussion and Analysis is designed to (1) assist the reader in focusing on significant financial issues, (2) provide an overview of the City's financial activity, (3) identify changes in the City's financial position (its ability to address the next and subsequent year challenges), (4) identify any material deviations from the financial plan (the approved budget), and (5) identify individual fund issues or concerns. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which can be found on page 4 of this report.

### FINANCIAL HIGHLIGHTS

- A. The City's net position increased by \$15,895,961 or 5.2% from the prior fiscal year reported. The governmental net position increased by \$6,267,286 or 12.1% from prior period and the business-type activities net position increased by \$9,628,675 or 3.8% from prior period.
- B. The governmental activities revenue decreased by \$568,435 or 0.4% from the prior period. The expenses decreased by \$490,744 or 0.4%.
- C. The business-type activities revenue decreased by \$678,000 or 1.7%. The expenses increased by \$990,195 or 3.2% from the prior period.
- D. The total cost of all City programs increased by \$499,451 or 0.3%.

### USING THIS ANNUAL REPORT

The financial statements focus on both the City as a whole (government-wide) and on the major individual funds. Both perspectives (government-wide and major fund) allow the user to address relevant questions, broaden a basis for comparison and enhance the City's accountability.

The City's financial reporting includes the funds of the City (primary government) and additionally, organizations for which the City is accountable (component units - the Township and Library). The Evanston Township Board of Trustees are the same individuals as the City Council members. The Township is blended into the primary government for financial reporting purposes. While, Library financials are shown as a discrete component unit starting FY 2013.

## **REPORTING THE CITY AS A WHOLE**

### **Government-wide Financial Statements**

The City's annual report includes two government-wide financial statements. These statements provide both short-term and long-term information about the City's overall status. Financial reporting at this level uses a perspective similar to that found in the private sector with its basis in full accrual accounting and elimination or reclassification of internal activities (e.g., the City's Fleet Maintenance Fund).

The first of these government-wide statements is the *Statement of Net Position*. This is the City-wide statement of financial position presenting information that includes all the City's assets and liabilities, with the difference reported as net position. Besides, starting FY2013, this statement also includes separate presentation of Library assets and liabilities. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City as a whole is improving or deteriorating. Evaluation of the overall health of the City would extend to other non-financial factors such as diversification of the taxpayer base or the condition of City infrastructure in addition to the financial information provided in this report.

The second government-wide statement is the *Statement of Activities* - which reports how the City's net position changed during the current fiscal period. All current period revenues and expenses for the city and Library are included regardless of when the cash was received or paid. An important purpose of the design of the statement of activities is to show the financial reliance of the City's distinct activities or functions on revenues provided by all government-wide sources.

Both government-wide financial statements distinguish governmental activities of the City that are principally supported by taxes and intergovernmental revenues, such as grants, from business-type activities that are intended to recover all or a significant portion of their costs through user fees and charges. Governmental activities include general government, public safety, public service, fleet service, insurance fund, and culture and recreation. Business-type activities include water and sewer utilities, parking, and garages. Fiduciary activities, such as employee pension plans and agency funds, are not included in the government-wide statements since these assets are not available to fund City programs.

The government-wide financial statements are presented on pages 32 - 35 of this report.

## **REPORTING THE CITY'S MOST SIGNIFICANT FUNDS**

### **Fund Financial Statements**

A fund is an accountability unit used to maintain control over resources segregated for specific activities or objectives. The City uses funds to ensure and demonstrate compliance with finance-related laws and regulations. Within the basic financial statements, fund financial statements focus on the City's most significant funds, rather than the City as a whole. Major funds are separately reported, while all others are combined into a single aggregated presentation. Individual fund data for non-major funds is provided in the form of combining schedules in a later section of this report.

The City has three kinds of funds:

*Governmental funds* are reported in the fund financial statements and encompass essentially the same functions reported as governmental activities in the government-wide financial statements. However, the focus is very different with fund statements providing a distinctive view of the City's governmental funds. These statements report short-term fiscal accountability focusing on the use of spendable resources and balances of spendable resources available at the end of the period. They are useful in evaluating annual

financing requirements of governmental programs and the commitment of spendable resources for the near-term.

Since the government-wide focus includes the long-term view, comparisons between these two perspectives may provide insight into the long-term impact of the short-term financing decision. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to assist in understanding the differences between these two perspectives.

Budgetary comparison statement for General Fund is included in the required supplementary section of this report. Budgetary comparison schedules for various special revenue funds and the debt service funds can be found in the supplementary information section of this report. These statements and schedules demonstrate compliance with the City's adopted and final revised budget.

The basic government fund financial statements are presented on pages 36 - 37 of this report.

*Proprietary funds* reported in the fund financial statements generally report services for which the City charges customers a fee. There are two kinds of proprietary funds. These are enterprise funds and internal service funds. Enterprise funds essentially encompass the same functions reported as business-type activities in the government-wide statements. Services such as the water utilities and the parking garages are provided to customers external to the City organization. Internal service funds provide services and charge fees to customers within the City organization, such as equipment services (repair and maintenance of city vehicles) and the insurance fund. Because the City's internal service funds primarily serve governmental functions, they are included within the governmental activities of the government-wide financial statements.

Proprietary fund statements and statements for discretely presented component units (reporting is similar to proprietary funds) provide both short-term and long-term financial information consistent with the focus provided by the government-wide financial statements. Individual fund information for internal service funds is found in combining schedules in a later section of this report.

The basic proprietary fund financial statements are presented on pages 39 - 43 of this report.

*Fiduciary funds* such as the Police and Firefighter's pension plans are reported in the fiduciary fund financial statements, but are excluded from the government-wide reporting. Fiduciary fund financial statements report resources that are not available to fund City programs. These financial statements report similarly to proprietary funds.

The basic fiduciary fund financial statements are presented on pages 44 - 45 of this report.

#### *Notes to the financial statements*

The accompanying notes to financial statements provide information essential to a full understanding of the government-wide and fund financial statements. The notes to the financial statements begin on page 46 of this report.

#### *Other information*

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the City's progress in funding its obligations to provide pension benefits to its employees. Other supplementary information includes detail by fund and

component unit for receivables, payables, transfers, and payments within the reporting entity. Required supplementary information can be found on pages 107 - 111 of this report.

Major funds and component units are reported in the basic financial statements, as discussed. Combining statements, individual statements and schedules for non- major and internal service funds are presented in a subsequent section of this report beginning on page 114. Additional information on capital assets and long-term debt can be found on page 68 and 78 respectively.

### Financial Analysis of the City as a Whole

The City's combined net position increased by \$15,895,961 from \$307,630,732 to \$323,526,693.

### STATEMENT OF POSITION

	Governmental Activities		Business-type Activities		Total Primary Government	
	2013	2012	2013	2012	2013	2012
Current and Other Assets	\$ 106,810,289	\$ 109,538,899	\$ 31,527,870	\$ 31,743,707	\$ 138,338,159	\$ 141,282,606
Capital Assets	164,970,987	161,151,356	335,464,132	333,318,701	500,435,119	494,470,057
Total Assets	<u>271,781,276</u>	<u>270,690,255</u>	<u>366,992,002</u>	<u>365,062,408</u>	<u>638,773,278</u>	<u>635,752,663</u>
Long-Term Liabilities	162,222,400	163,517,805	98,233,760	106,713,797	260,456,160	270,231,602
Other Liabilities	10,645,254	13,273,066	3,319,070	2,538,114	13,964,324	15,811,180
Total Liabilities	<u>172,867,654</u>	<u>176,790,871</u>	<u>101,552,830</u>	<u>109,251,911</u>	<u>274,420,484</u>	<u>286,042,782</u>
Deferred Inflows	<u>40,826,101</u>	<u>42,079,149</u>	-	-	<u>40,826,101</u>	<u>42,079,149</u>
Net Investment in Capital Assets	47,213,819	47,663,225	239,243,154	228,738,130	286,456,973	276,401,355
Restricted	24,719,778	28,767,275	711,672	709,688	25,431,450	29,476,963
Unrestricted (Deficit)	<u>(13,846,076)</u>	<u>(24,610,265)</u>	<u>25,484,346</u>	<u>26,362,679</u>	<u>11,638,270</u>	<u>1,752,414</u>
Total Net Position	<u>\$ 58,087,521</u>	<u>\$ 51,820,235</u>	<u>\$ 265,439,172</u>	<u>\$ 255,810,497</u>	<u>\$ 323,526,693</u>	<u>\$ 307,630,732</u>

The City's increase in Net Position principally comes from the reduction of Bonds and Loans Payable in Business-type activities of \$8,480,037 combined with an increase in total Capital Assets of \$5,965,062.

The City's total revenues decreased by \$1,246,435 or 0.7%. The City's total expenses for all programs increased by \$499,451, or 0.3%. Business-type activity revenues decreased by \$678,000 in the current fiscal period mainly due to a decrease in Charges for services. Business-type activity expenses increased by \$990,195, while Governmental activity expense experienced a decrease of \$490,744.

Governmental Funds: The governmental activities experienced an increase of \$6,267,286 in the net position balance. This is primarily due to a decreased amount of expenditures as well as reduced amount of transfers from governmental activities to the business activities.

Business Funds: The business-type activities experienced an increase of \$9,628,675 in the net position balance primarily due to the operating surplus in the Sewer Fund combined with a transfer from governmental activities to the Sewer Fund in the amount of \$1,851,827.

The following table provides a summary of the City's changes in net position:

**STATEMENT OF CHANGES IN NET POSITION**

	Governmental Activities		Business-type Activities		Total Primary Government	
	2013	2012	2013	2012	2013	2012
Revenue						
Program Revenues:						
Charges for services	\$ 26,331,524	\$ 30,194,126	\$ 38,073,814	\$ 39,234,894	\$ 64,405,338	\$ 69,429,020
Operating grants and contributions	10,102,441	13,452,873	939,145	394,767	11,041,586	13,847,640
Capital grants and contributions	2,956,037	2,017,495	-	-	2,956,037	2,017,495
General Revenues:						
Sales taxes	16,965,296	15,888,422	-	-	16,965,296	15,888,422
Property taxes	46,349,104	43,725,354	-	-	46,349,104	43,725,354
Utility taxes	7,690,177	8,027,007	-	-	7,690,177	8,027,007
Income taxes	7,182,793	6,603,796	-	-	7,182,793	6,603,796
Other	12,495,571	10,717,275	(60,762)	-	12,434,809	10,717,275
Investment income	79,293	94,323	33,346	33,882	112,639	128,205
Total Revenue	<u>130,152,236</u>	<u>130,720,671</u>	<u>38,985,543</u>	<u>39,663,543</u>	<u>169,137,779</u>	<u>170,384,214</u>
Expenses						
General management and support	18,892,279	17,448,957	-	-	18,892,279	17,448,957
Public safety	57,089,557	52,739,963	-	-	57,089,557	52,739,963
Public works	13,782,175	11,099,192	-	-	13,782,175	11,099,192
Health and human resources development	3,601,469	3,200,722	-	-	3,601,469	3,200,722
Recreation and cultural opportunities	16,432,540	17,437,844	-	-	16,432,540	17,437,844
Housing and economic development	11,123,338	18,076,600	-	-	11,123,338	18,076,600
Interest	377,190	1,786,014	-	-	377,190	1,786,014
Water	-	-	11,193,186	10,171,664	11,193,186	10,171,664
Sewer	-	-	7,648,520	7,872,314	7,648,520	7,872,314
Solid Waste	-	-	4,732,455	4,611,737	4,732,455	4,611,737
Motor vehicle parking system	-	-	8,369,109	8,297,360	8,369,109	8,297,360
Total Expense	<u>121,298,548</u>	<u>121,789,292</u>	<u>31,943,270</u>	<u>30,953,075</u>	<u>153,241,818</u>	<u>152,742,367</u>
Increase (decrease) in net position before transfers	8,853,688	8,931,379	7,042,273	8,710,468	15,895,961	17,641,847
Transfers	(2,586,402)	(4,926,124)	2,586,402	4,926,124	-	-
Increase/(Decrease) in Net Position	6,267,286	4,005,255	9,628,675	13,636,592	15,895,961	17,641,847
Net Position - Beginning	<u>51,820,235</u>	<u>47,814,980</u>	<u>255,810,497</u>	<u>242,173,905</u>	<u>307,630,732</u>	<u>289,988,885</u>
Net Position - Ending	<u>\$ 58,087,521</u>	<u>\$ 51,820,235</u>	<u>\$ 265,439,172</u>	<u>\$ 255,810,497</u>	<u>\$ 323,526,693</u>	<u>\$ 307,630,732</u>

(Unaudited)



## **Financial Analysis of the City's Funds**

### ***Governmental Funds***

As discussed, governmental funds are reported in the fund statement with a short-term inflow and outflow of spendable resources focus. This information is useful in assessing resources available at the end of the period in comparison with upcoming financing requirements. Governmental funds reported fund balances of \$53,858,830 as of December 31, 2013 which includes \$25,358,692 restricted, \$406,906 non-spendable, \$3,507,202 committed, \$14,733,904 assigned and \$9,852,126 unassigned fund balance. The restricted fund balance consists of amounts required to be set aside by external authorities. Non-spendable amount represents prepaid items for General Obligation Debt and General Assistance Township Fund.

### ***Major Governmental Funds***

The General Fund is the City's primary operating fund and the largest source of day-to-day service delivery. The fund balance of the General Fund reported a nominal decrease of \$670,536 primarily due to increased expenditures. Excess of expenditures over revenues in the amount of \$4,150,882 was partially offset by inter-fund transfers to the General Fund. Some of the major revenues that came in above budget include the Income Tax, Sales Tax, Real Estate Transfer Tax, Liquor Licenses, Building Permits and Parking Tax. Conversely, Property Tax, Utility Tax and Parking Ticket Fines were lower than budgeted. Many of the departments spent less than their budget while Police, Fire, Health, Human Resource Development, and Parks and Recreation Departments were over budget in their expenditures. Overall, the General Fund expenditures were slightly below the 2013 Adopted Budget.

The Capital Improvements Fund accounts for the City's governmental funds capital improvement program. The program includes improvements to public buildings, paving of city streets, improvement and development of recreation facilities and other major improvements. The fund balance of the Capital Improvements Fund increased by \$2,898,088, from \$3,401,911 to \$6,299,999 despite operating deficiency of \$5,165,171. This deficiency was offset by proceeds from the issuance of debt in the amount of \$8,380,000.

The fund balance of the General Obligation Debt Fund had a nominal increase of \$479,543, from \$2,896,148 to \$3,375,691.

The Employer Pension Contribution Fund is used to account for the recognition of applicable tax revenues and employer contributions to the Pension Trust Funds. These contributions represent the City's pension expense for police and firefighters. This fund continues to be reported as a major fund.

### ***Combined Non-Major Governmental Funds***

Combined non-major fund balances totaled \$27,820,189, a decrease of \$2,295,118 from prior period of \$30,115,307. Non-major funds with surpluses for the fiscal year include Motor Fuel, Economic Development, Neighborhood Improvement, Affordable Housing, Home Fund, Community Development Loan, SSD#5, Southwest TIF and Special Assessment Capital Project Fund. Non-major funds with deficits for the period include Emergency Telephone System, SSD#4, Township Funds, Howard Hartrey TIF, Washington National TIF, Howard Ridge TIF and West Evanston TIF. Although each fund varies, the Howard Ridge, Howard Hartrey, West Evanston, and Washington National TIF funds all had planned deficits for the purposes of capital improvements and development activities.

### ***Proprietary Funds***

The proprietary fund statements share the same focus as the government-wide statements, reporting both short-term and long-term information about financial status.

The proprietary funds operated by the City are the Water, Sewer, Solid Waste and Parking Funds. These funds have a combined increase of \$9,628,675 in the net position. The Sewer Fund reported the highest increase in the amount of \$8,432,929. This increase is mainly due to the operating surplus and reduced debt service expense. The Water, Solid waste and Parking Fund added \$146,456, \$164,324 and \$884,966 respectively to the net position during the year. Although net position in these proprietary funds showed an overall healthy increase, it is important to keep in mind that the Sewer Fund carries a substantial debt level followed by Parking and Water Funds with lesser debts.

### ***Internal Service Funds***

The City's combined internal service fund's net position increased by \$3,822,911 from \$1,189,333 as of December 31, 2012 to \$5,012,244 as of December 31, 2013. Fleet Fund and Equipment Replacement reported a combined net increase in net position of \$174,075. The net deficit in the Insurance Fund decreased by \$3,648,836 mainly due to reduction of potential claim liabilities.

### ***General Fund Budgetary Highlights***

Total budgetary revenues for the General Fund were \$79,945,976 while total expenditures were \$84,477,646. Overall General Fund revenues came in higher than budget by \$2,306,614. Major revenues like Sales Tax, Real Estate Transfer Tax, Building Permits and State Income Tax were higher than budgeted. Total expenditures in the General Fund were lower than budgeted amounts by \$42,776 mainly due to continuous restructuring of departments and other cost saving measures in various operating divisions. The actual net deficiency of \$4,531,670 was offset by \$3,480,346 in net transfers from other funds.

### ***Capital Assets***

The City established a policy of capitalizing equipment and vehicles with \$20,000 or more in value and infrastructure and building improvements with \$100,000 or more in value. The City's capital assets (net of depreciation) for governmental and business-type activities as of December 31, 2013, were \$500,435,119. The governmental funds capital assets had a net increase of \$3,819,631, while business type capital assets increased by \$2,145,431. Overall, capital assets increased by 1.2% for the City as a whole. The Governmental Funds reported an increase in machinery, equipment and infrastructure assets including improvements in parks, streets and alleys. As for the Business Funds, Water Fund and Sewer Fund reported increased capital assets net of depreciation. Readers desiring more detailed information on capital asset activity should refer to Note 6 in the Notes to the Financial Statements.

### ***Long-Term Debt***

As of December 31, 2013, the City had outstanding total general obligation bonded debt of \$147,942,869 of which \$30,411,358 was for business type activities to be paid for by the City's Parking, Water, Solid Waste and Sewer Funds. The City's general obligation debt service principal payments for 2013 totaled \$44,890,002 including refunding of Series 2004, 2004B and 2005 Bonds in the amount of \$30,000,000. During the current year, the City issued \$40,562,333 in general obligation bonds including \$28,875,000 for refunding of the above bonds. As a home rule government under Illinois law, there is no legal debt limit for the City. Readers desiring more detailed information on long-term debt should refer to Note 9 in the Notes to the Financial Statements.

(Unaudited)

### ***Bond Ratings***

The City's general obligation bonds are rated Aa1 by Moody's Investor Rating Service and AA+ by Fitch Ratings. The City's water revenue bonds are rated Aaa and AA for uninsured issues.

### ***Economic Factors***

Evanston is a diverse community consisting primarily of residential homes, several nonprofit organizations including a very well-known private university, two hospitals, and many smaller scale retail shops and restaurants as well as some popular big box retailers. In general, economically sensitive revenues such as Income Tax, Sales Tax, Building Permits and Real Estate Transfer Tax came in e higher than budgeted revenues while Utility Taxes and local Motor Fuel Tax were below budget.

The unemployment rate in Evanston has stayed slightly below same level as many other cities in the State due in part to the stable economy that includes Northwestern University. The City continues to maintain its lower unemployment rate compared to state and federal unemployment levels. The primary employers in the City include Northwestern University, two hospitals, the local high school, and elementary school district, Rotary International, several not-for-profit organizations, and numerous retail businesses and restaurants. Due to the high number of nonprofit organizations which make a large portion of Evanston's workforce, the City has been somewhat insulated from the previous years economic downturn in employment areas.

### ***Contacting the City's Financial Management***

This financial report is designed to provide a general overview of the City's finances, comply with finance-related laws and regulations, and demonstrate the City's commitment to public accountability. If you have questions about this report or would like to request additional information, contact the City Administrative Services Department at the City of Evanston, 2100 Ridge Avenue, Evanston, Illinois 60201, Telephone 847-866-2934, or access the website at [www.cityofevanston.org](http://www.cityofevanston.org).

## BASIC FINANCIAL STATEMENTS

**CITY OF EVANSTON, ILLINOIS**

Statement of Net Position

As of December 31, 2013

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	Evanston Public Library
Cash and equivalents	\$ 38,803,526	\$ 23,424,331	\$ 62,227,857	\$ 1,270,500
Investments	363,439	-	363,439	3,117,123
Receivables (net, where applicable, of allowances for uncollectibles)				
Property taxes	45,683,307	-	45,683,307	5,780,275
Accounts	-	6,356,294	6,356,294	-
Notes	7,691,837	-	7,691,837	-
Special assessments	558,150	-	558,150	-
Accrued interest	-	-	-	7,524
Other	3,716,166	19,784	3,735,950	28,438
Due from other governments	8,298,543	-	8,298,543	-
Due from component unit	160,470	-	160,470	-
Internal balances	292,874	(292,874)	-	-
Inventories	739,159	762,991	1,502,150	-
Restricted assets				
Cash and equivalents and investments	-	711,672	711,672	-
Prepaid items	441,852	311,672	753,524	3,350
Other assets	60,966	234,000	294,966	-
Capital assets				
Capital assets not being depreciated	26,193,651	17,358,289	43,551,940	311,380
Capital assets (net of accumulated depreciation)	138,777,336	318,105,843	456,883,179	13,763,522
<b>Total Assets</b>	<b>271,781,276</b>	<b>366,992,002</b>	<b>638,773,278</b>	<b>24,282,112</b>

The accompanying notes are an integral part of this statement.

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	Evanston Public Library
Vouchers payable	\$ 4,582,554	\$ 2,862,520	\$ 7,445,074	\$ 175,617
Accrued payroll	2,317,172	-	2,317,172	-
Interest payable	638,914	63,216	702,130	-
Other payables	406,561	-	406,561	22,012
Due to other governments	656,728	-	656,728	-
Due to primary government	-	-	-	160,470
Pension contribution payable	2,043,325	-	2,043,325	-
Payable from restricted assets				
Interest payable	-	393,334	393,334	-
Noncurrent liabilities				
Payable from restricted assets - due				
within one year	-	8,260,182	8,260,182	-
Due within one year	16,368,113	3,751,012	20,119,125	813,986
Due in more than one year	145,854,287	86,222,566	232,076,853	2,748,983
<b>Total Liabilities</b>	<b>172,867,654</b>	<b>101,552,830</b>	<b>274,420,484</b>	<b>3,921,068</b>
Deferred Inflows of Resources				
Property taxes	40,826,101	-	40,826,101	5,090,545
Net Investment in Capital Assets	47,213,819	239,243,154	286,456,973	14,074,902
Restricted				
Highway maintenance	1,312,568	-	1,312,568	-
Emergency telephone system	1,220,879	-	1,220,879	-
HUD approved projects	6,309,598	-	6,309,598	-
Neighborhood improvements	2,600,993	-	2,600,993	-
Debt service	12,520,761	311,672	12,832,433	-
Township	754,979	-	754,979	-
Capital improvements	-	400,000	400,000	-
Unrestricted (deficit)	(13,846,076)	25,484,346	11,638,270	1,195,597
<b>Total Net Position</b>	<b>\$ 58,087,521</b>	<b>\$ 265,439,172</b>	<b>\$ 323,526,693</b>	<b>\$ 15,270,499</b>

**CITY OF EVANSTON, ILLINOIS**

Statement of Activities

For the Fiscal Year ended December 31, 2013

Functions/Programs	Program Revenues		
	Expenses	Charges for Services	Operating Grants and Contributions
<b>Governmental activities:</b>			
General management and support	\$ 18,892,279	\$ 8,916,915	\$ -
Public safety	57,089,557	1,963,105	181,339
Public works	13,782,175	484,691	2,175,057
Health and human resource development	3,601,469	1,481,773	1,285,568
Recreation and cultural opportunities	16,432,540	5,235,531	-
Housing and economic development	11,123,338	8,249,509	6,460,477
Interest	1,254,860	-	-
<b>Total governmental activities</b>	<b>122,176,218</b>	<b>26,331,524</b>	<b>10,102,441</b>
<b>Business-type activities:</b>			
Water	11,193,186	14,657,748	78,792
Sewer	7,648,520	13,510,199	860,353
Solid Waste	4,732,455	3,650,792	-
Motor vehicle parking system	8,369,109	6,255,075	-
<b>Total business-type activities</b>	<b>31,943,270</b>	<b>38,073,814</b>	<b>939,145</b>
<b>Total primary government activities</b>	<b>\$ 154,119,488</b>	<b>\$ 64,405,338</b>	<b>\$ 11,041,586</b>
<b>Evanston Public Library:</b>			
General management and support	\$ 5,533,069	\$ 696,211	\$ 226,050
<b>Total Evanston Public Library</b>	<b>\$ 5,533,069</b>	<b>\$ 696,211</b>	<b>\$ 226,050</b>

- General revenues:
- Property tax
- Other taxes
- Personal property replacement tax
- Sales and home rule tax
- Income tax
- Utility tax
- Liquor Tax
- Parking Tax
- Real Estate Transfer Tax
- Miscellaneous
- Investment income
- Transfers

Total general revenues and transfers

Change in Net Position

Net Position - beginning, as restated

Net Position - ending

The accompanying notes are an integral part of this statement.

Net (Expense) Revenue and Changes in Net Position				
Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total Primary Government	Evanston Public Library
\$ 2,060,622	\$ (7,914,742)	\$ -	\$ (7,914,742)	\$ -
215	(54,944,898)	-	(54,944,898)	-
2,464	(11,119,963)	-	(11,119,963)	-
-	(834,128)	-	(834,128)	-
-	(11,197,009)	-	(11,197,009)	-
892,736	4,479,384	-	4,479,384	-
-	(1,254,860)	-	(1,254,860)	-
2,956,037	(82,786,216)	-	(82,786,216)	-
-	-	3,543,354	3,543,354	-
-	-	6,722,032	6,722,032	-
-	-	(1,081,663)	(1,081,663)	-
-	-	(2,114,034)	(2,114,034)	-
-	-	7,069,689	7,069,689	-
\$ 2,956,037	\$ (82,786,216)	\$ 7,069,689	\$ (75,716,527)	\$ -
\$ -	\$ -	\$ -	\$ -	\$ (4,610,808)
\$ -	\$ -	\$ -	\$ -	\$ (4,610,808)
	46,349,104	-	46,349,104	4,367,300
	2,106,149	-	2,106,149	-
	1,372,473	-	1,372,473	-
	16,965,296	-	16,965,296	-
	7,182,793	-	7,182,793	-
	7,690,177	-	7,690,177	-
	2,261,874	-	2,261,874	-
	2,418,852	-	2,418,852	-
	3,894,599	-	3,894,599	-
	441,624	(60,762)	380,862	9,900
	79,293	33,346	112,639	71,745
	(2,586,402)	2,586,402	-	-
	88,175,832	2,558,986	90,734,818	4,448,945
	5,389,616	9,628,675	15,018,291	(161,863)
	52,697,905	255,810,497	308,508,402	15,432,362
\$	\$ 58,087,521	\$ 265,439,172	\$ 323,526,693	\$ 15,270,499



**CITY OF EVANSTON, ILLINOIS**

Governmental Funds

Balance Sheet  
As of December 31, 2013

	General	Capital Improvements	General Obligation Debt	Employer Pension Contribution	Nonmajor Governmental Funds	Total Governmental Funds
<b>Assets</b>						
Cash and equivalents	\$ 10,885,387	\$ 7,425,950	\$ 1,045,039	\$ -	\$ 18,977,918	\$ 38,334,294
Investments	-	-	-	-	363,439	363,439
Receivables						
Property taxes (net of allowance)	12,031,386	-	11,049,841	14,130,900	8,471,180	45,683,307
Notes (net of allowance)	-	-	-	-	7,691,837	7,691,837
Special assessments	-	-	-	-	558,150	558,150
Other	2,752,574	-	-	-	939,172	3,691,746
Prepaid items	-	-	356,363	-	50,543	406,906
Due from other governments	7,247,146	523,048	-	-	528,349	8,298,543
Due from component unit	170,370	-	-	-	-	170,370
Due from other funds	3,029,567	101,523	569,001	-	977,928	4,678,019
Other assets	60,966	-	-	-	-	60,966
<b>Total Assets</b>	<b>\$ 36,177,396</b>	<b>\$ 8,050,521</b>	<b>\$ 13,020,244</b>	<b>\$ 14,130,900</b>	<b>\$ 38,558,516</b>	<b>\$ 109,937,577</b>
<b>Liabilities</b>						
Vouchers payable	\$ 1,760,323	\$ 1,098,352	\$ 37,950	\$ -	\$ 579,547	\$ 3,476,172
Accrued payroll	2,317,172	-	-	-	-	2,317,172
Compensated absences payable	207,027	-	-	-	-	207,027
Other	406,561	-	-	-	-	406,561
Due to other governments	-	652,170	-	-	4,558	656,728
Due to component unit	-	-	-	-	9,900	9,900
Due to other funds	4,546,512	-	76,360	-	1,512,889	6,135,761
Pension contribution payable	99,627	-	-	1,943,698	-	2,043,325
<b>Total Liabilities</b>	<b>9,337,222</b>	<b>1,750,522</b>	<b>114,310</b>	<b>1,943,698</b>	<b>2,106,894</b>	<b>15,252,646</b>
<b>Deferred Inflows of Resources</b>						
Property taxes	10,477,223	-	9,530,243	12,187,202	8,631,433	40,826,101
<b>Fund Balances</b>						
Nonspendable - Prepaid items	-	-	356,363	-	50,543	406,906
Restricted						
Highway maintenance	-	-	-	-	1,312,568	1,312,568
Emergency telephone system	-	-	-	-	1,220,879	1,220,879
HUD approved projects	-	-	-	-	6,309,598	6,309,598
Neighborhood improvements	-	-	-	-	2,600,993	2,600,993
Debt service	-	-	3,019,328	-	10,140,347	13,159,675
Township	-	-	-	-	754,979	754,979
Committed - Economic Development	-	-	-	-	3,507,202	3,507,202
Assigned	6,361,490	6,299,999	-	-	2,072,415	14,733,904
Unassigned	10,001,461	-	-	-	(149,335)	9,852,126
<b>Total Fund Balances</b>	<b>16,362,951</b>	<b>6,299,999</b>	<b>3,375,691</b>	<b>-</b>	<b>27,820,189</b>	<b>53,858,830</b>
<b>Total Liabilities, Deferred Inflows and Fund Balances</b>	<b>\$ 36,177,396</b>	<b>\$ 8,050,521</b>	<b>\$ 13,020,244</b>	<b>\$ 14,130,900</b>	<b>\$ 38,558,516</b>	

Amounts reported for governmental activities in the statement of net position are different because:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	156,930,629
Long-term liabilities, including bonds payable, compensated absences payable, and pension contributions payable, are not due and payable in the current period and therefore, are not reported in the governmental funds. (See Note 2.A)	(155,335,065)
OPEB liability payable is not due and payable in the current period and therefore, is not reported in the governmental funds.	(1,740,203)
Interest accrual from last interest payment to December 31, 2013.	(638,914)
The net position of the internal service fund is included in the governmental activities in the statement of net position.	5,012,244
<b>Net Position of governmental activities</b>	<b>\$ 58,087,521</b>

**CITY OF EVANSTON, ILLINOIS**

Governmental Funds

Statement of Revenues, Expenditures, and Changes in Fund Balances  
For the Fiscal Year ended December 31, 2013

	General	Capital Improvements	General Obligation Debt	Employer Pension Contribution	Nonmajor Governmental Funds	Total Governmental Funds
<b>Revenues</b>						
Taxes	\$ 38,709,390	\$ -	\$ 12,647,575	\$ 14,841,987	\$ 12,055,233	\$ 78,254,185
Licenses and permits	10,617,414	-	-	-	-	10,617,414
Special assessments	-	-	-	-	274,848	274,848
Intergovernmental	18,382,644	882,160	-	-	8,578,983	27,843,787
Charges for services	7,722,937	-	-	-	-	7,722,937
Fines and forfeits	3,448,523	-	-	-	-	3,448,523
Investment income	26,907	18,562	5,355	-	42,960	93,784
Miscellaneous	1,418,949	53,986	33,510	-	400,001	1,906,446
<b>Total Revenues</b>	<b>80,326,764</b>	<b>954,708</b>	<b>12,686,440</b>	<b>14,841,987</b>	<b>21,352,025</b>	<b>130,161,924</b>
<b>Expenditures</b>						
<b>Current</b>						
General management and support	14,147,518	131,328	143,063	-	3,188,903	17,610,812
Public safety	40,650,660	15,991	-	14,841,987	922,147	56,430,785
Public works	8,797,497	23,193	-	-	3,161,722	11,982,412
Health and human resource development	3,601,469	-	-	-	-	3,601,469
Recreation and cultural opportunities	14,744,293	30,999	-	-	-	14,775,292
Housing and economic development	2,536,209	-	-	-	8,778,757	11,314,966
<b>Debt service</b>						
Principal	-	-	31,971,424	-	1,410,000	33,381,424
Interest	-	-	4,755,493	-	240,076	4,995,569
Fiscal agent fees	-	-	126,610	-	-	126,610
Capital outlay	-	5,918,368	-	-	29,863	5,948,231
<b>Total Expenditures</b>	<b>84,477,646</b>	<b>6,119,879</b>	<b>36,996,590</b>	<b>14,841,987</b>	<b>17,731,468</b>	<b>160,167,570</b>
<b>Excess (Deficiency) of Revenues Over (Under) Expenditures</b>	<b>(4,150,882)</b>	<b>(5,165,171)</b>	<b>(24,310,150)</b>	<b>-</b>	<b>3,620,557</b>	<b>(30,005,646)</b>
<b>Other Financing Sources (Uses)</b>						
Transfers in	6,826,313	-	1,317,660	-	48,500	8,192,473
Transfers out	(3,345,967)	(475,000)	(1,851,827)	-	(6,206,081)	(11,878,875)
General obligation bonds issued	-	8,380,000	1,955,001	-	230,000	10,565,001
Refunding bonds issued	-	-	22,176,324	-	-	22,176,324
Bond Premiums	-	158,259	1,192,535	-	11,906	1,362,700
<b>Total Other Financing Sources (Uses)</b>	<b>3,480,346</b>	<b>8,063,259</b>	<b>24,789,693</b>	<b>-</b>	<b>(5,915,675)</b>	<b>30,417,623</b>
<b>Net Change in Fund Balances</b>	<b>(670,536)</b>	<b>2,898,088</b>	<b>479,543</b>	<b>-</b>	<b>(2,295,118)</b>	<b>411,977</b>
<b>Fund Balances -Beginning, as restated</b>	<b>17,033,487</b>	<b>3,401,911</b>	<b>2,896,148</b>	<b>-</b>	<b>30,115,307</b>	<b>53,446,853</b>
<b>Fund Balances - Ending</b>	<b>\$ 16,362,951</b>	<b>\$ 6,299,999</b>	<b>\$ 3,375,691</b>	<b>\$ -</b>	<b>\$ 27,820,189</b>	<b>\$ 53,858,830</b>

The accompanying notes are an integral part of this statement.

## CITY OF EVANSTON, ILLINOIS

### Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities

For the Fiscal Year ended December 31, 2013

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Amounts reported for governmental activities in the statement of activities are different because:

Net change in fund balances - total governmental funds	\$ 411,977
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period. Gain or loss on assets removed are also reported in the statement of activities. (See Note 2.B)	2,951,720
The repayment of the principal of long-term debt payable consume the current financial resources of governmental funds. These transactions, however, have no effect on net position. (See Note 2.B)	36,257,941
Issuance of Bonds provides current financial resources to governmental funds. This transaction has no effect on net position. Governmental funds also report the effect of bonds premiums, discounts and similar items when debt is first issued. (See Note 2.B)	(34,104,024)
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds. (See Note 2.B)	(3,872,033)
OPEB benefit expense reported in the statement of activities does not require the use of current financial resources and, therefore, is not reported as expenditures in governmental funds.	(116,593)
Change in interest accrual for the twelve months ended December 31, 2013.	37,717
Internal service funds are reported separately in the fund financial statements.	<u>3,822,911</u>
Change in Net Position of governmental activities	<u>\$ 5,389,616</u>

The accompanying notes are an integral part of this statement.

**CITY OF EVANSTON, ILLINOIS**

Proprietary Funds

Statement of Net Position  
As of December 31, 2013

Assets	Business-type Activities- Enterprise Funds					Governmental Activities- Internal Service Funds
	Water	Sewer	Solid Waste	Motor Vehicle Parking System	Total	
<b>Current Assets</b>						
Cash and equivalents	\$ 7,573,361	\$ 1,097,789	\$ 18,307	\$ 14,734,874	\$ 23,424,331	\$ 469,232
Restricted cash and equivalents and investments	711,672	-	-	-	711,672	-
Receivables						
Accounts - billed	1,642,589	273,489	135,351	-	2,051,429	-
Accounts - unbilled	901,175	2,024,207	519,130	-	3,444,512	-
Other	-	860,353	-	19,784	880,137	24,420
Due from other funds	194,251	1,026,651	19,944	-	1,240,846	1,988,093
Inventories	639,567	123,424	-	-	762,991	739,159
Prepaid Expenses	311,672	-	-	-	311,672	34,946
<b>Total Current Assets</b>	<b>11,974,287</b>	<b>5,405,913</b>	<b>692,732</b>	<b>14,754,658</b>	<b>32,827,590</b>	<b>3,255,850</b>
<b>Noncurrent Assets</b>						
Capital Assets						
Capital assets not being depreciated	9,802,926	3,106,516	-	4,448,847	17,358,289	-
Capital assets being depreciated	82,834,441	246,047,380	-	83,274,561	412,156,382	22,504,481
Less accumulated depreciation	(23,715,367)	(47,581,084)	-	(22,754,088)	(94,050,539)	(14,464,123)
<b>Total Capital Assets</b>	<b>68,922,000</b>	<b>201,572,812</b>	<b>-</b>	<b>64,969,320</b>	<b>335,464,132</b>	<b>8,040,358</b>
Other Assets						
Notes Receivable	-	-	-	234,000	234,000	-
<b>Total Noncurrent Assets</b>	<b>68,922,000</b>	<b>201,572,812</b>	<b>-</b>	<b>65,203,320</b>	<b>335,698,132</b>	<b>8,040,358</b>
<b>Total Assets</b>	<b>80,896,287</b>	<b>206,978,725</b>	<b>692,732</b>	<b>79,957,978</b>	<b>368,525,722</b>	<b>11,296,208</b>

The accompanying notes are an integral part of this statement.

Liabilities	Business-type Activities- Enterprise Funds					Governmental
	Water	Sewer	Solid Waste	Motor Vehicle	Total	Activities-
				Parking System		Internal Service Funds
<b>Current Liabilities</b>						
Vouchers payable	\$ 1,376,144	\$ 179,750	\$ 327,768	\$ 978,858	\$ 2,862,520	\$ 1,106,382
Interest payable	12,000	-	245	50,971	63,216	-
Interest payable - restricted	37,312	356,022	-	-	393,334	-
Revenue bonds payable	305,000	-	-	-	305,000	-
Compensated absences payable	324,542	57,262	19,354	62,397	463,555	23,370
General obligation bonds payable	445,648	-	15,908	2,520,901	2,982,457	-
General obligation bonds payable - restricted	-	341,061	-	-	341,061	-
Claims payable	-	-	-	-	-	2,414,551
Notes payable - IEPA - restricted	67,505	7,851,616	-	-	7,919,121	-
Due to other funds	20,356	31,147	1,427,436	54,781	1,533,720	237,477
<b>Total Current Liabilities</b>	<b>2,588,507</b>	<b>8,816,858</b>	<b>1,790,711</b>	<b>3,667,908</b>	<b>16,863,984</b>	<b>3,781,780</b>
<b>Long-Term Liabilities</b>						
Notes payable - IEPA	1,080,077	55,659,184	-	-	56,739,261	-
General obligation bonds payable	9,491,081	3,542,173	96,515	13,958,071	27,087,840	-
OPEB liability payable	160,602	47,999	18,269	45,289	272,159	51,915
Unamortized Bond Discount	212,042	111,758	-	634,861	958,661	-
Compensated absences payable	358,705	63,289	21,392	68,965	512,351	73,360
IMRF Pension contributions payable	382,863	95,448	49,405	124,578	652,294	-
Claims payable	-	-	-	-	-	2,376,909
<b>Total Long-Term Liabilities</b>	<b>11,685,370</b>	<b>59,519,851</b>	<b>185,581</b>	<b>14,831,764</b>	<b>86,222,566</b>	<b>2,502,184</b>
<b>Total Liabilities</b>	<b>14,273,877</b>	<b>68,336,709</b>	<b>1,976,292</b>	<b>18,499,672</b>	<b>103,086,550</b>	<b>6,283,964</b>
<b>Net Position</b>						
Net Investment in Capital Assets	57,320,647	134,067,020	-	47,855,487	239,243,154	8,040,358
Restricted for debt service	311,672	-	-	-	311,672	-
Restricted for capital improvements	400,000	-	-	-	400,000	-
Unrestricted (deficit)	8,590,091	4,574,996	(1,283,560)	13,602,819	25,484,346	(3,028,114)
<b>Total Net Position (deficit)</b>	<b>\$ 66,622,410</b>	<b>\$ 138,642,016</b>	<b>\$ (1,283,560)</b>	<b>\$ 61,458,306</b>	<b>\$ 265,439,172</b>	<b>\$ 5,012,244</b>

**CITY OF EVANSTON, ILLINOIS**

Proprietary Funds

Combining Statement of Revenues, Expenses, and Changes in Fund Net Position  
For the Fiscal Year ended December 31, 2013

	Business-type Activities- Enterprise Funds					Governmental Activities- Internal Service Funds
	Water	Sewer	Solid Waste	Motor Vehicle Parking System	Total	
Operating Revenues						
Charges for services	\$ 13,903,482	\$ 13,494,318	\$ 3,650,792	\$ 6,234,594	\$ 37,283,186	\$ 21,956,020
Miscellaneous	754,266	15,881	-	20,481	790,628	46,349
Total Operating Revenues	14,657,748	13,510,199	3,650,792	6,255,075	38,073,814	22,002,369
Operating Expenses Excluding Depreciation						
Administration	960,028	2,026,860	820,689	1,768,307	5,575,884	-
Operations	7,215,679	307,251	3,872,422	3,114,888	14,510,240	17,831,210
Total Operating Expenses Excluding Depreciation	8,175,707	2,334,111	4,693,111	4,883,195	20,086,124	17,831,210
Operating Income (Loss) Before Depreciation	6,482,041	11,176,088	(1,042,319)	1,371,880	17,987,690	4,171,159
Depreciation	1,449,757	3,320,883	-	2,639,870	7,410,510	1,579,532
Operating Income (Loss)	5,032,284	7,855,205	(1,042,319)	(1,267,990)	10,577,180	2,591,627
Nonoperating Revenues (Expenses)						
Investment income	20,164	1,270	20	11,892	33,346	212
Interest expense	(312,193)	(2,021,379)	(3,130)	(846,044)	(3,182,746)	-
Bond expenses and amortization of discount	(19,777)	(30,331)	(36,214)	-	(86,322)	-
Amortization of bond premium	1,129	58,184	-	-	59,313	-
Other expenses	(1,236,881)	-	-	-	(1,236,881)	-
Grants	78,792	860,353	-	-	939,145	-
Gain (loss) on disposition of assets	(60,762)	-	-	-	(60,762)	131,072
Total Nonoperating Revenues (Expenses)	(1,529,528)	(1,131,903)	(39,324)	(834,152)	(3,534,907)	131,284
Income (Loss) before transfers and contributions	3,502,756	6,723,302	(1,081,643)	(2,102,142)	7,042,273	2,722,911
Transfers In (Out)						
Debt Service	-	1,851,827	-	-	1,851,827	-
Washington National Tax Increment District	-	-	-	3,631,350	3,631,350	-
General	(3,356,300)	(142,200)	1,245,967	(644,242)	(2,896,775)	1,100,000
Total Transfers In (Out)	(3,356,300)	1,709,627	1,245,967	2,987,108	2,586,402	1,100,000
Change in Net Position	146,456	8,432,929	164,324	884,966	9,628,675	3,822,911
Total Net Position (Deficit) - Beginning	66,475,954	130,209,087	(1,447,884)	60,573,340	255,810,497	1,189,333
Total Net Position (Deficit)- Ending	\$ 66,622,410	\$ 138,642,016	\$ (1,283,560)	\$ 61,458,306	\$ 265,439,172	\$ 5,012,244

The accompanying notes are an integral part of this statement.

**CITY OF EVANSTON, ILLINOIS**

Proprietary Funds

Statement of Cash Flows

For the Fiscal Year ended December 31, 2013

	Business-type Activities- Enterprise Funds					Governmental Activities- Internal Service Funds
	Water	Sewer	Solid Waste	Motor Vehicle Parking System	Total	
<b>Cash Flows from Operating Activities</b>						
Receipts from customers and users	\$ 14,071,358	\$ 13,510,199	\$ 3,650,792	\$ 6,270,603	\$ 37,502,952	\$ 22,028,261
Receipts from / (Payments for) interfund services provided	(462,628)	297,329	(27,674)	(117,983)	(310,956)	(1,758,720)
Payments to suppliers	(7,101,415)	(327,053)	(4,043,254)	(2,257,680)	(13,729,402)	(1,904,307)
Payments to employees	(834,347)	(2,014,335)	(804,372)	(1,738,238)	(5,391,292)	(3,606,470)
Payments for insurance premiums	-	-	-	-	-	(13,443,553)
Net Cash Provided by (Used for) Operating Activities	5,672,968	11,466,140	(1,224,508)	2,156,702	18,071,302	1,315,211
<b>Cash Flows from Noncapital Financing Activities</b>						
Transfers In (Out)						
Debt Service	-	1,851,827	-	-	1,851,827	-
Washington Tax Increment District General	(3,356,300)	(142,200)	1,245,967	(644,242)	(2,896,775)	1,100,000
Net Transfers In (Out)	(3,356,300)	1,709,627	1,245,967	2,987,108	2,586,402	1,100,000
Grants and Contributions	78,792	-	-	-	78,792	-
Net Cash Provided by (Used for) Noncapital Financing Activities	(3,277,508)	1,709,627	1,245,967	2,987,108	2,665,194	1,100,000
<b>Cash Flows from Capital and Related Financing Activities</b>						
Sale of capital assets	-	-	-	-	-	147,167
Acquisition and construction of capital assets	(5,250,454)	(4,408,933)	-	(1,194,200)	(10,853,587)	(2,463,537)
Principal paid on revenue bonds	(290,000)	-	-	-	(290,000)	-
Proceeds from general obligation bonds	2,000,000	246,831	-	5,574,178	7,821,009	-
Principal paid on general obligation bonds	(207,875)	(1,520,290)	(15,036)	(8,887,707)	(10,630,908)	-
Interest paid on general obligation bonds	(248,178)	(298,164)	(3,130)	(678,663)	(1,228,135)	-
Bond expenses	(55,431)	(18,669)	(36,213)	-	(110,313)	-
Proceeds from IEPA loans	-	2,547,781	-	-	2,547,781	-
Principal paid on IEPA loans	(67,505)	(8,197,261)	-	-	(8,264,766)	-
Interest paid on IEPA loans	-	(1,777,092)	-	-	(1,777,092)	-
Net Cash (Used for) Capital and Related Financing Activities	(4,119,443)	(13,425,797)	(54,379)	(5,186,392)	(22,786,011)	(2,316,370)
<b>Cash Flows from Investing Activities</b>						
Interest income	20,164	1,270	20	11,892	33,346	212
Net Cash Provided by Investing Activities	20,164	1,270	20	11,892	33,346	212
<b>Net Increase (Decrease) in Cash and Equivalents</b>	(1,703,819)	(248,760)	(32,900)	(30,690)	(2,016,169)	99,053
<b>Cash and Equivalents</b>						
Beginning	9,988,852	1,346,549	51,207	14,765,564	26,152,172	370,179
Ending	\$ 8,285,033	\$ 1,097,789	\$ 18,307	\$ 14,734,874	\$ 24,136,003	\$ 469,232
<b>Reconciliation</b>						
Cash and equivalents						
Current Cash	\$ 7,573,361	\$ 1,097,789	\$ 18,307	\$ 14,734,874	\$ 23,424,331	\$ 469,232
Restricted Current Cash	711,672	-	-	-	711,672	-
	\$ 8,285,033	\$ 1,097,789	\$ 18,307	\$ 14,734,874	\$ 24,136,003	\$ 469,232

**CITY OF EVANSTON, ILLINOIS**

Proprietary Funds

Statement of Cash Flows - Continued  
 For the Fiscal Year ended December 31, 2013

	Business-type Activities- Enterprise Funds					Governmental Activities- Internal Service Funds
	Water	Sewer	Solid Waste	Motor Vehicle Parking System	Total	
Reconciliation of Operating Income (Loss) to Net Cash Provided						
Operating income (loss)	\$ 5,032,284	\$ 7,855,205	\$ (1,042,319)	\$ (1,267,990)	\$ 10,577,180	\$ 2,591,627
Depreciation	1,449,757	3,320,883	-	2,639,870	7,410,510	1,579,532
Changes in assets and liabilities						
Increase/decrease in A/R miscellaneous	(586,390)	(41,424)	(27,604)	10,528	(644,890)	25,892
Other receivables	-	-	-	5,000	5,000	-
Prepaid expenses	(8,656)	-	-	-	(8,656)	795,566
Interfund receivable	142,375	(157,167)	-	16,093	1,301	-
Inventories	27,891	(8,367)	-	-	19,524	(67,006)
Compensated absences	71,505	(2,666)	4,773	15,830	89,442	6,775
Claims Payables	-	-	-	-	-	(2,469,307)
Interfund payable	(605,003)	454,496	(27,674)	(134,076)	(312,257)	(1,758,720)
OPEB liability payable	27,340	8,035	5,854	5,644	46,873	3,889
IMRF contributions payable	26,836	7,156	5,690	8,593	48,275	-
Vouchers payable	95,029	29,989	(143,211)	878,518	860,325	-
Interest payable	-	-	(17)	(21,308)	(21,325)	-
Accounts Payables	-	-	-	-	-	606,963
Net Cash Provided by (Used for) Operating Activities	\$ 5,672,968	\$ 11,466,140	\$ (1,224,508)	\$ 2,156,702	\$ 18,071,302	\$ 1,315,211

Concluded



## CITY OF EVANSTON, ILLINOIS

### Fiduciary Funds

#### Statement of Net Position As of December 31, 2013

	<u>Pension Trust Funds</u>
Assets	
Cash and short-term investments	\$ 5,239,497
Receivables	
Accrued interest	524,368
Contribution receivable - Due from city funds	2,043,323
Total Receivables	<u>2,567,691</u>
Investments, at fair value	
U.S. Government and agency obligations	33,975,810
Corporate bonds	23,148,559
Common stock	29,090,676
Mutual funds	61,770,837
Total Investments	<u>147,985,882</u>
Total Assets	<u>155,793,070</u>
Liabilities	
Vouchers payable	<u>4,986</u>
Net Position held in trust	<u>\$ 155,788,084</u>

The accompanying notes are an integral part of this statement.

## CITY OF EVANSTON, ILLINOIS

### Fiduciary Funds - Pension Trust Funds

#### Statement of Changes in Plan Net Position For the Fiscal Year ended December 31, 2013

	<u>Pension Trust Funds</u>
Additions	
Contributions	
Employer	\$ 14,841,987
Plan members	2,735,148
Other-Donations, Legal Sett., Surplus Sales	<u>150</u>
Total contributions	<u>17,577,285</u>
Investment income	
Net appreciation in	
fair value of investments	11,608,549
Investment income	<u>4,842,440</u>
Total investment income	16,450,989
Less investment expense	<u>426,590</u>
Net investment income	<u>16,024,399</u>
Total additions	<u>33,601,684</u>
Deductions	
Benefits	16,649,064
Refunds of contributions	109,252
Administrative expense	<u>109,161</u>
Total deductions	<u>16,867,477</u>
Net increase	16,734,207
Net Position held in trust for pension benefits	
Beginning	<u>139,053,877</u>
Ending	<u>\$ 155,788,084</u>

The accompanying notes are an integral part of this statement.

**CITY OF EVANSTON, ILLINOIS**

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**CITY OF EVANSTON, ILLINOIS**

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**CITY OF EVANSTON, ILLINOIS**

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## CITY OF EVANSTON, ILLINOIS

### Notes to the Financial Statements

For the Fiscal Year ended December 31, 2013

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#### NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the City of Evanston (City) and Evanston Public Library (Library) have been prepared in conformity with accounting principles generally accepted in the United States of America as applied to governmental units (hereinafter referred to as "Generally Accepted Accounting Principles" (GAAP). The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

The more significant of the City and Library accounting policies are described below.

##### A. Reporting Entity

This report includes all of the funds of the City and the Library. The reporting entity for the City consists of the primary government and its component units. Component units are legally separate organizations for which the primary government is financially accountable or other organizations for which the nature and significance of their relationship with the primary government are such that their exclusion would cause the reporting entity's financial statements to be misleading. The primary government is financially accountable if (1) it appoints a voting majority of the organization's governing body and it is able to impose its will on that organization, (2) it appoints a voting majority of the organization's governing body and there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the primary government, (3) the organization is fiscally dependent on and there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the primary government. Certain legally separate, tax exempt organizations should also be reported as a component unit if all of the following criteria are met: (1) the economic resources received or held by the separate organization are entirely or almost entirely for the direct benefit of the primary government, its component units, or its constituents; (2) the primary government or its component units, is entitled to, or has the ability to access, a majority of the economic resources received or held by the separate organization; and (3) the economic resources received or held by an individual organization that the primary government, or its component units, is entitled to, or has the ability to otherwise access, are significant to the primary government.

Component units are reported using one of two methods, discrete presentation or blending. Generally, component units should be discretely presented in a separate column in the financial statements. A component unit should be reported as part of the primary government using the blending method if it meets any one of the following criteria: (1) the primary government and the component unit have substantively the same governing body and a financial benefit or burden relationship exists, (2) the primary government and the component unit have substantively the same governing body and management of the primary government has operational responsibility for the component unit, (3) the component unit serves or benefits, exclusively or almost exclusively, the primary government rather than its citizens, or (4) the total debt of the component unit will be paid entirely or almost entirely from resources of the primary government.

##### Blended Component Unit:

The Town of the City of Evanston, Illinois (Township) is a separate legal entity which administers General Assistance, a public welfare program assigned by Illinois law to townships. Eligible clients receive General Assistance for food, shelter, and medical needs. Through the town-fund levy, the Township also supports a number of community action programs, which provide direct services to welfare recipients. The Township is governed by a Township Board of Trustees and provides services within the same geographic boundaries of the City. The Township Board of Trustees are the same individuals as the City Council. The Township board levies taxes and is responsible for adopting the Township budget and approving payment of bills. The Township has two elected officials: the Supervisor and the Assessor, each elected for four-year terms. The Supervisor is responsible for Township funds and for the administration of General Assistance. The Assessor does not actually assess property; that function is carried out by the Cook County Assessor. The Township Assessor serves as a taxpayer's advocate, helping citizens with tax-related questions.

The Assessor also works to assure equity of assessments, and maintains records of building and demolition permits and of all tax-exempt properties. The Township Board of Trustees can issue debt on its own behalf, and such debt can be issued in the Township's name alone.

**CITY OF EVANSTON, ILLINOIS**

**Notes to the Financial Statements**

For the Fiscal Year ended December 31, 2013

---

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued**

**A. Reporting Entity - Continued**

Blended Component Unit - Continued:

The Township is included in the Reporting Entity due to its financial accountability because the Township Board of Trustees are the same individuals as the City Council members. The Township has been previously reported at March 31 fiscal year-end. Amounts included in this report are as of and for the twenty one months ended December 31, 2013.

The Township was dissolved as of April 30, 2014. Effective May 1, 2014, the City has taken over all Township functions.

Discrete Component Unit

Evanston Public Library promotes the development of independent, self-confident, and literate citizens through the provision of open access to cultural, intellectual, and informational resources for all ages. The Library Fund was created as part of the FY2012 budget. But, starting FY 2013, Evanston Public Library financials are shown separately as a discrete component unit of the City of Evanston. The Library Debt Service Fund was also created as a part of FY2014 budget. The Library is governed by the Library Board of Trustees. The Board members are appointed by the Mayor of the City of Evanston.

The Library Director submits a proposed budget to the Evanston Public Library (EPL) Board of Trustees for the upcoming calendar year. This budget is included in the budget documents submitted by the City Manager to the City Council. The Library budget is legally enacted through passage of a resolution by the EPL Board of Trustees.

The Evanston Public Library (EPL) serves the community through 3 branches. The EPL partners with Northwestern University and other agencies to implement a digitally based science, technology, and math learning opportunities for teens. The EPL is continually focused on expanding summer reading programs to serve the patrons of all ages. The Library has also expanded community outreach by promoting library services at various local places and events.

Joint Ventures:

The City participates in two joint ventures, which are reported as nonequity governmental joint ventures and are described in Footnote 14. The joint ventures are: City of Evanston and Solid Waste Agency of Northern Cook County (SWANCC) and Evanston Housing Corporation.

**B. Government-wide and Fund Financial Statements**

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the City and the Library. The effect of interfund activity has been removed from these statements excluding interfund services provided. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

**CITY OF EVANSTON, ILLINOIS**

**Notes to the Financial Statements**

For the Fiscal Year ended December 31, 2013

---

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued**

**B. Government-wide and Fund Financial Statements - Continued**

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. Nonmajor funds are reported in the supplementary information.

In November 2010, the GASB issued statement No. 61 - The Financial Reporting Entity: Omnibus - an amendment of GASB Statements No. 14 and No. 34. This statement modifies certain requirements for inclusion of component units in the financial reporting entity. This standard was implemented effective January 1, 2013.

In March 2012, the GASB issued statement No. 65 - Items Previously Reported as Assets and Liabilities. This statement establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. This standard was implemented effective January 1, 2013.

**C. Fund Accounting**

The City and the Library use funds to report on its financial position and the results of its operations. A fund is a separate accounting entity with a self-balancing set of accounts. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

Funds are classified into three categories: governmental, proprietary, and fiduciary. Each category, in turn, is divided into separate "fund types."

Governmental funds are used to account for all or most of the City's general activities, including the collection and disbursement of earmarked monies (special revenue funds), the acquisition or construction of general capital assets (capital projects funds), and the servicing of general long-term debt (debt service funds). The general fund is used to account for all activities of the City not accounted for in some other fund. All Township funds are considered special revenue funds within the governmental funds category.

Proprietary funds are used to account for activities similar to those found in the private sector, where the determination of net income is necessary or useful for sound financial administration. Goods or services from such activities can be provided either to outside parties (enterprise funds) or to other departments or agencies primarily within the City (internal service funds). Internal service funds are included with the governmental funds on the government-wide financial statements.

Fiduciary funds are used to account for assets held on behalf of outside parties, including other governments, or on behalf of other funds within the City. When these assets are held under the terms of a formal trust agreement, a permanent fund is used. Agency funds generally are used to account for assets that the City holds on behalf of others as their agent. The pension trust fund accounts for the activities of the Police and Firefighters' Pension funds, which accumulate resources for pension benefit payments to retired police and fire personnel.

**D. Measurement Focus, Basis of Accounting, and Financial Statement Presentation**

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.



CITY OF EVANSTON, ILLINOIS

Notes to the Financial Statements

For the Fiscal Year ended December 31, 2013

---

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

D. Measurement Focus, Basis of Accounting, and Financial Statement Presentation - Continued

The City's and Library's governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City and the Library considers property taxes as available if they are collected within 60 days of the end of the current fiscal period. A six month availability period is used for revenue recognition for all other governmental fund revenues. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, are recorded when payment is due or when amounts have been accumulated in the debt service fund for payment to be made early in the following year.

The following revenues associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period.

- |                                      |   |
|--------------------------------------|---|
| 1.) Taxes                            | 6.) Fines                                   |
| Property                             | Traffic fines                               |
| Sales (Home Rule)                    |   |
| Utility                              | 7.) Intergovernmental                       |
| Personal property                    | Motor fuel tax allotments                   |
|                                      | Grants                                      |
| 2.) Licenses                         | Supplemental Security Income reimbursements |
|                                      | Income taxes                                |
| 3.) Franchise fees                   | Sales taxes                                 |
|                                      | Use tax                                     |
| 4.) Charges for services             |   |
|                                      | 8.) Investment income                       |
| 5.) Recycling program fees and sales |   |

All other revenue items are considered to be measurable and available only when cash is received by the City and the Library.

The City reports the following major governmental funds:

The *General Fund* is the City's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The *Capital Improvements Fund* accounts for the City's capital improvement program. The program includes improvement to public buildings, paving of City streets, improvement of recreational facilities and other improvements.

The *General Obligation Debt* is a debt service fund which accumulate monies for the principal and interest payments on general obligation debt.

The *Employer Pension Contribution Fund* is a special revenue fund which accounts for the recognition of applicable tax revenues and employer contributions to the Pension Trust funds.

Governmental funds report deferred inflows of resources in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period.

**CITY OF EVANSTON, ILLINOIS**

**Notes to the Financial Statements**

For the Fiscal Year ended December 31, 2013

---

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued**

**D. Measurement Focus, Basis of Accounting, and Financial Statement Presentation - Continued**

The City reports the following major proprietary funds:

The *Water Fund* accounts for the provision of water services to the residents of the City and the sale of water to the Village of Skokie, Illinois, and the Northwest Water Commission. All activities necessary to provide such services are accounted for in this fund, including, but not limited to, administration, operation, maintenance, financing and related debt service, and billing and collection.

The *Sewer Fund* accounts for the provision of sewer repair and improvement services to the residents of the City. All activities necessary to provide such services are accounted for in this fund, including administration, operations, financing, and billing and collection.

*Solid Waste Fund* accounts for the recycling, refuse and yard waste removal services related fees and expenses. Refuse and yard waste are contracted out, while recycling is handled by the city staff.

The *Motor Vehicle Parking System* accounts for the provision of the public and residential parking facility on Church Street, Maple Avenue, and Sherman Avenue, as well as all the City's parking lots and meters. All activities are accounted for including administration, operations, financing and revenue collection.

Additionally, the City reports the following fund types:

*Internal Service funds* account for the fleet management and insurance services provided to other departments or agencies of the government, or to other governments, on a cost reimbursement basis.

*Pension Trust funds* account for the activities of the Police and Firefighters' Pension Funds, which accumulate resources for pension benefit payments to qualified public safety employees.

The Library reports the Operating fund and Endowment fund.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between the City's enterprise funds and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as program revenues include 1) charges to customers for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including assessments. Internally dedicated resources are reported as *general revenue* rather than as program revenue. Likewise, general revenues include all taxes.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the enterprise funds and of the City's internal service funds are charges to customers for sales and services. Operating expenses for enterprise funds and internal service funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

**CITY OF EVANSTON, ILLINOIS**

**Notes to the Financial Statements**

For the Fiscal Year ended December 31, 2013

---

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued**

**D. Measurement Focus, Basis of Accounting, and Financial Statement Presentation – Continued**

When both restricted and unrestricted resources are available for use, it is the City and Library's policy to use restricted resources first, then unrestricted resources as they are needed.

The City and the Library reports unearned revenues on its government funds statements. Unearned revenues arise when a potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period. Unearned revenues also arise when resources are received by the City before it has a legal claim to them, as when grant monies are received prior to the incurrence of qualifying expenditures. If subsequent revenue recognition criteria are met, or when the City/Library has a legal claim to the resources, the liability for unearned revenue is removed from the combined balance sheet and the revenue is recognized.

**E. Cash and Equivalents**

Cash and equivalents represent cash on hand, cash deposited in interest-bearing and noninterest-bearing checking accounts, and investments in money markets, certificates of deposit, and treasury obligations with maturities of three months or less at the date of acquisition, and cash deposited with the Illinois Funds.

**F. Investments**

Investments consist of certificates of deposit, treasury obligations, government agency obligations, and insurance contracts with maturities greater than three months. Investments for the pension funds are mostly comprised of treasury obligations, government agency obligations, fixed income and equity mutual funds, and stocks. Investments of the pension trust funds are carried at fair value. Investments with over one year to maturity are reported at fair value. All other investments are stated at cost or, for U.S. government securities, amortized cost. These securities may be purchased at a premium or discount which is amortized over the life of the investment. This valuation method approximates fair value.

**G. Inventories and Prepaid Items**

Inventories in the Water, Sewer, and Fleet Service Funds are valued at the lower of cost (first-in, first-out) or market. Inventory amounts are recorded on the basis of a physical count.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements. In governmental funds, prepaid items are recorded based on consumption method.

**CITY OF EVANSTON, ILLINOIS**

**Notes to the Financial Statements**

For the Fiscal Year ended December 31, 2013

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**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued**

**H. Capital Assets**

Capital assets, which include property, plant, and equipment and infrastructure assets (e.g. roads, sidewalks, trails, bridges, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as equipment and vehicles with an initial, individual cost of more than \$20,000, or infrastructure, buildings, or building improvements with an initial, individual cost of more than \$100,000. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized. Infrastructure acquired prior to the February 28, 2003 implementation of GASB 34 has been reported.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. No interest was capitalized during the year.

Property, plant, and equipment are depreciated, and intangible assets are amortized using the straight-line method over the following estimated useful lives:

Description	Years	Description	Years
Land improvements	10-100	Buildings and improvements	10-50
Leasehold improvements	10-100	Office equipment and furniture	5-15
Plant	20-100	Machinery and equipment	5-15
Transmission and distribution system	5-100	Infrastructure	30-100
Sewer system and underground lines	75-100	Library collections	7
Parking meters	15	Intangible Assets	5-10

**I. Compensated Absences**

It is the City and the Library's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. All payments due in the event of termination are accrued when incurred in the government-wide and proprietary fund financial statements. The General Fund has been used in prior years to liquidate the liability for compensated absences of governmental funds.

**J. Long-Term Obligations**

In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Bond premiums and discounts, if material, are deferred and amortized over the life of the bonds. Bonds payable are reported net of the applicable bond premium or discount.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources, while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

**CITY OF EVANSTON, ILLINOIS**

**Notes to the Financial Statements**

For the Fiscal Year ended December 31, 2013

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**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued**

**K. Self-Insurance**

The City and the Library are self-insured to certain limits for general liability claims and for workers' compensation insurance. A liability is recorded when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. Claims liabilities are based on estimates of the ultimate cost of reported claims including future claims adjustment expenses. General liability and workers' compensation claims are paid out of the Insurance Fund.

**L. Deferred Inflows of Resources**

A deferred inflow of resources represents an acquisition of net position that applies to a future period and therefore will not be recognized as an inflow of resources (revenue) until that future time.

**M. Property Taxes**

Property taxes are collected by the Cook County Collector and are remitted periodically to all taxing bodies, including the City, Library and Township. Distributions are made more often during the two main collection periods. Property taxes are levied on a calendar year basis by passage of a tax levy ordinance.

The property tax calendar for Cook County is as follows:

Description	Date
Lien Date	January 1 of Levy Year
Levy Date	December of Levy Year
First Installment Due Date (55% of prior bill)	March 1 / April 1 of Year following Levy Year
Second Installment Due Date (balance of total bill)	September 1 / October 1 of Year following Levy Year

Property tax revenues are recognized when they become both measurable and available. On this basis, property tax revenue includes all cash distributions of property tax received during the fiscal period between January 1, 2013 and December 31, 2013 and all property tax collections received within 60 days after the end of the fiscal period. A 2% allowance for loss is reflected in the City and the Library financial statements.

The adjustment necessary to convert GAAP basis property tax revenues to budgetary basis is shown in the notes to the required supplementary information in the section on Budgets and Budgetary Accounting.

The Town Fund and General Assistance Fund unearned revenue represents the net portion of the 2013 property tax levy that will not be collected within 60 days of the Township's December 31, 2013 year-end. A 5% allowance for loss is reflected in the Township financial statements.

**CITY OF EVANSTON, ILLINOIS**

**Notes to the Financial Statements**

For the Fiscal Year ended December 31, 2013

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**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued**

**N. Fund Equity**

Governmental fund equity is classified as fund balance. In February 2009, the GASB issued statement No. 54 – Fund Balance Reporting and Governmental Fund Type Definitions. This statement establishes fund balance classifications based primarily on the extent to which the government is bound to honor constraints on the use of the resources reported in each governmental fund as well as establishes additional notes disclosures regarding fund balance classification policies and procedures. The city council may, by an ordinance, establish, modify or remove a fund balance commitment. In accordance with Governmental Accounting Standards Board Statement No. 54 - Fund Balance Reporting and Governmental Fund Type Definitions, the City and the Library classifies governmental fund balance as follows:

1. Nonspendable - Includes fund balance amounts that can not be spent either because they are not in spendable form or because legal or contractual stipulations require them to be maintained intact.

2. Restricted - Consists of fund balances with constraints placed on their use either by 1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments or 2) law through constitutional provisions or enabling legislation.

3. Committed - Includes fund balance amounts that are constrained for specific purposes that are internally imposed by the government through formal action of the highest level of decision making authority. Fund balance amounts are committed through a formal action of the city. This formal action must occur prior to the end of the reporting period, but the amount of commitment, which will be subject to constraints, may be determined in the subsequent period. Any changes to the constraints imposed require the same formal action of the city that originally created the commitment.

4. Assigned - Includes spendable fund balance amounts that are intended to be used for specific purposes that are not considered restricted or committed. Fund balance may be assigned through the following; 1) Council may take official action to assign amounts. 2) All remaining positive spendable amounts in governmental funds, other than the general fund, that are neither restricted nor committed. Assignments may take place after the end of the reporting period.

5. Unassigned - Includes residual positive fund balance within the general fund which has not been classified within the other above mentioned categories. Unassigned fund balance may also include negative balances for any governmental fund if expenditures exceeds amounts restricted, committed, or assigned for those purposes.

Assignments may not create unassigned deficits in any fund. However, nonspendable, restricted, or committed fund balance may create an unassigned deficit. Also, restricted, committed, and assigned balances themselves may not be negative.

The City and the Library consider restricted amounts to be spent first when both restricted and unrestricted fund balance is available unless there are legal documents / contracts that prohibit doing this, such as in grant agreements requiring dollar for dollar spending. Additionally, the City and the Library would first use committed, then assigned and lastly unassigned amounts of unrestricted fund balance when expenditures are made.

**CITY OF EVANSTON, ILLINOIS**

**Notes to the Financial Statements**

For the Fiscal Year ended December 31, 2013

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**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued**

**O. Interfund Transactions**

Transactions that constitute reimbursements to a fund for expenditures/expenses initially made from it that are properly applicable to another fund are recorded as expenditures/expenses in the reimbursing fund and as reductions of expenditures/expenses in the fund that is reimbursed. All other interfund transactions are reported as transfers.

**P. Use of Estimates**

In preparing financial statements, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**Q. Effect of New Accounting Standards on Current Period Financial Statements**

The Governmental Accounting Standards Board (GASB) has approved Statement No. 66, Technical Corrections - 2012 - an amendment of GASB Statements No. 10 and No. 62; Statement No. 67, Financial Reporting for Pension Plans - an amendment of GASB Statement No. 25; Statement No. 68, Accounting and Financial Reporting for Pensions - an amendment of GASB Statement No. 27; Statement No. 69, Government and Disposals of Government Operations; and Statement No. 70, Accounting and Financial Reporting for Nonexchange Financial Guarantees. Application of these standards may restate portions of these financial statements.

**R. Conduit Debt**

The City approved the issuance of \$5,000,000 Series 2010 Revenue Bonds during the fiscal year 2010-2011 to provide financial assistance to Chiravalle Montessori School, deemed to be in public interest. The use of proceeds includes the property purchase from City of Evanston, improvement to the existing building, refinancing existing debt and payment of miscellaneous costs. The bonds are secured by the property or mortgages financed and are payable from the moneys, securities and other revenues pledged under the indenture by the School. The City is not obligated in any manner for the repayment of bonds. Accordingly, the bonds outstanding are not reported as a liability in these financial statements. As of December 31, 2013, outstanding bond balance was \$4,665,000.

The City approved the issuance of \$13,590,000 Series 2011 Revenue Bonds during the fiscal period ending December 31, 2011 to provide financial assistance to Roycemore School, deemed to be in public interest. The use of proceeds includes the property purchase and renovation of the 1201 Davis, the new location of the school and payment of miscellaneous costs. The bonds are secured by the property or mortgages financed and are payable from the moneys, securities and other revenues pledged under the indenture by the School. The City is not obligated in any manner for the repayment of bonds. Accordingly, the bonds outstanding are not reported as a liability in these financial statements. As of December 31, 2013, outstanding bond balance was \$13,590,000.

**CITY OF EVANSTON, ILLINOIS**

**Notes to the Financial Statements**

For the Fiscal Year ended December 31, 2013

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**NOTE 2. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS**

**A. Explanation of Certain Differences between the Governmental Fund Balance Sheet and the Government-wide Statement of Net Position**

The governmental fund balance sheet includes a reconciliation between fund balance - total governmental funds and net position – governmental activities as reported in the government-wide statement of net position. One element of that reconciliation explains that “Long-term liabilities, including bonds payable, compensated absences payable, First Bank loan and pension contributions payable, are not due and payable in the current period and, therefore, are not reported in the funds.” The details of this difference are as follows:

General obligation bonds payable	\$ 117,531,511
Bonds premium liability	4,559,212
Compensated absences payable	9,995,954
IMRF Pension contributions payable	3,049,242
First Bank Loan	648,812
Pension contributions payable	<u>19,550,334</u>
Net adjustments to reduce fund balance – total governmental funds to arrive at net position – governmental activities	<u>\$ 155,335,065</u>

**B. Explanation of Certain Differences between the Governmental Fund Statement of Revenues, Expenditures, and Changes in Fund Balances and the Government-wide Statement of Activities**

1. The government fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between net changes in fund balances – total governmental funds and changes in net position of governmental activities as reported in the government-wide statement of activities. One element of that reconciliation explains that “Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.” The details of this difference are as follows:

Capital outlay	\$ 5,918,368
Capital outlay - contributions/other governmental activities	5,044,584
Depreciation expense	<u>(8,011,232)</u>
Net adjustment to increase net changes in fund balances - total governmental funds to arrive at changes in net position of governmental activities	<u>\$ 2,951,720</u>



CITY OF EVANSTON, ILLINOIS

Notes to the Financial Statements

For the Fiscal Year ended December 31, 2013

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**NOTE 2. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS – Continued**

**B. Explanation of Certain Differences between the Governmental Fund Statement of Revenues, Expenditures, and Changes in Fund Balances and the Government-wide Statement of Activities - Continued**

2. Another element of that reconciliation states that "The repayment of the principal of long-term debt consumes the current financial resources of governmental funds. These transactions, however, have no effect on net position." The details of this difference are as follows:

Principal repayments:	
General obligation debt	\$ 33,041,424
SSD#5 Bond	340,000
IMRF Pension contributions payable	<u>2,876,517</u>

Net adjustment to increase net changes in fund balances - total governmental funds to arrive at changes in net position of governmental activities	<u>\$ 36,257,941</u>
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3. Another element of that reconciliation states that "Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds." The details of this difference are as follows:

Compensated absences	\$ (2,073,671)
Amortization income	535,258
Pension contributions	765,385
IMRF Pension contributions payable	<u>(3,099,005)</u>

Net adjustment to increase net changes in fund balances – total governmental funds to arrive at changes in net position of governmental activities	<u>\$ (3,872,033)</u>
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4. Another element of that reconciliation states that "Issuance of Bonds provides current financial resources to governmental funds." The details of this difference are as follows:

Bond	\$ (32,741,324)
Bond premium liability	<u>(1,362,700)</u>

Net adjustment to decrease net changes in fund balances – total governmental funds to arrive at changes in net position of governmental activities	<u>\$ (34,104,024)</u>
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**CITY OF EVANSTON, ILLINOIS**

**Notes to the Financial Statements**

For the Fiscal Year ended December 31, 2013

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**NOTE 3. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY**

**A. Budgetary Information**

The City follows these procedures in establishing the budgetary data reflected in the financial statements:

1. Because of a calendar year, the City Manager will submit to the City Council a proposed operating budget for the upcoming fiscal year commencing January 1, 2015. The operating budget includes proposed expenditures and the means of financing them.
2. Public budget hearings are conducted. Taxpayer comments are received and noted.
3. The budget is legally enacted through passage of a resolution.
4. The City Manager is authorized to transfer budgeted amounts between departments within any fund; however, any revisions that alter the total expenditures of any fund must be approved by the City Council. There were budget allocations within General fund but the total did not change.
5. Budgets are legally adopted on a basis consistent with GAAP except that property taxes are budgeted as revenue in the year they are levied. For purposes of preparing the General Fund - Budget and Actual (Budgetary Basis) Schedule of Revenues, Expenditures, and Changes in Fund Balance, GAAP revenues and expenditures have been adjusted to the budgetary basis.

**Blended Component Unit**

The Township prepares its annual appropriation ordinance, which is synonymous with its budget, using the modified accrual basis of accounting. It covers both Township funds - Town Fund and General Assistance Fund.

The Township follows procedures similar to those of the City in establishing the budgetary data reflected in the financial statements. The budget was not amended during the current fiscal period.

**Discrete Component Unit**

The Evanston Public Library follows these procedures in establishing the budgetary data reflected in the financial statements:

1. Because of a calendar year, the Library Director submits a proposed operating budget for the upcoming fiscal year commencing January 1, 2015 to the Evanston Public Library (EPL) Board of Trustees. Upon approval of the budget proposal by the EPL Board, the library's proposed budget is submitted to the City Manager. The Evanston Public Library budget is included in the budget documents which the City Manager will submit to the City Council. The operating budget includes proposed expenditures and the means of financing them.
2. A series of public Library Board meetings are conducted as the EPL Board considers the budget proposal. Taxpayer comments are received and noted.
3. The budget is legally enacted through passage of a resolution by the Evanston Public Library Board of Trustees .

**CITY OF EVANSTON, ILLINOIS**

**Notes to the Financial Statements**

For the Fiscal Year ended December 31, 2013

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**NOTE 3. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY - Continued**

**A. Budgetary Information - Continued**

4. The Library Director is authorized to transfer budgeted amounts between Library departments within any Library fund; however, any revisions that alter the total expenditures of any Library fund must be approved by the EPL Board of Trustees. There were budget allocations within the Library fund but the total did not change.
  
5. Budgets are legally adopted on a basis consistent with GAAP except that property taxes are budgeted as revenue in the year they are levied. For purposes of preparing the Library Operating Fund - Budget and Actual (Budgetary Basis) Schedule of Revenues, Expenditures, and Changes in Fund Balance, GAAP revenues and expenditures have been adjusted to the budgetary basis.

The level of control (level at which expenditures may not exceed budget) is the fund. All unencumbered annual appropriations lapse at the end of the fiscal period.

The following funds had an excess of actual budgetary expenditures over original and final budget for the fiscal year ended December 31, 2013:

Fund	Actual	Budget	Excess
Township - General Assistance	\$ 2,535,983	\$ 2,304,306	\$ 231,677
General Obligation Debt	12,068,750	9,957,676	2,111,074
Special District #5	437,740	428,756	8,984
Howard Hartrey Tax Increment District	1,884,003	1,171,804	712,199
Washington National Tax Increment District	2,799,869	878,200	1,921,669
Howard Ridge Tax Increment District	726,231	-	726,231
Library	5,191,746	4,580,594	611,152

**B. DEFICIT FUND EQUITY**

The Insurance Fund, an internal service fund, had a net deficit of \$3,727,663 as of December 31, 2013. The City plans to use current resources to pay for future liabilities.

The Solid Waste Fund had a net deficit of \$1,283,560 as of December 31, 2013. The City plans to use current resources to pay for future liabilities.

The Special Service District No. 4 had a net deficit of \$149,335 as of December 31, 2013. The City plans to use current resources to pay for future liabilities.

**CITY OF EVANSTON, ILLINOIS**

**Notes to the Financial Statements**

For the Fiscal Year ended December 31, 2013

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**NOTE 4. DEPOSITS WITH FINANCIAL INSTITUTIONS AND INVESTMENTS**

**A. Types of Accounts and Securities**

Illinois statutes and the City's investment policies authorize the City to invest in obligations of the U.S. Treasury, in Government Sponsored Enterprises (GSE) such as Federal Home Loan Mortgage Corporation (FHLMC), Federal Home Loan Bank (FHLB), and Fannie Mae (FNMA); Bankers Acceptances as well as commercial paper rated only in the highest tier; Repurchase agreements of the highest grade; Collateralized Certificates of Deposit issued by FDIC insured financial institutions, money market mutual funds with portfolios limited to securities guaranteed by the United States, the Illinois Metropolitan Investment Fund (IMET), and the Illinois Funds.

It is the policy of the City to invest public funds in a manner whereby its investment objectives are prioritized in the following order: Safety of Principal, Liquidity, and Rate of Return. The City also seeks to maintain diversification of investments to avoid overconcentration of any one specific issuer or business sector. To mitigate interest rate risk, the City tries to structure the investment portfolio to meet daily cash flow needs so as to avoid needing to sell securities on the open market. The City seeks to attain market rates of return consistent with constraints imposed by safety and cash flow needs. The City invests to conform to all state and local statutes governing the investment of public funds. More detail is available in the City's investment policy.

The Firefighters' and Police Pension Funds are set up for the exclusive purpose of providing retirement and other benefits to plan participants and beneficiaries. All investments are governed and authorized by the respective Fire and Police Pension Boards. The investment objectives and parameters mirror those listed above for the City of Evanston. However, unlike the City's public funds, the Firefighters and Police Pension funds may invest in various equity accounts up to a limit of 45% of the aggregate value of each respective fund's assets. The pension funds invest to conform to all state and local statutes governing pension funds. Additional detail is available in each pension fund's investment policies.

**B. Pooling of Cash and Investments**

Except for cash and investments in certain restricted and special accounts, the City pools the cash of various funds to maximize interest earnings. Interest income is allocated to the various funds based upon their respective participation.

**CITY OF EVANSTON, ILLINOIS**

**Notes to the Financial Statements**

For the Fiscal Year ended December 31, 2013

**NOTE 4. DEPOSITS WITH FINANCIAL INSTITUTIONS AND INVESTMENTS - Continued**

**C. Types of Investments**

As of December 31, 2013, the City has the following investments and maturities. The fair value of the Illinois Funds is the same as the value of the pool shares.

Fire and Police Pension Investment Type	Investment Maturities (In Years)			Equities
	Fair Value	Less Than 1 Year	1 - 10 More Years	
Money Market / Liquid Assets	\$ 4,387,881	\$ 4,387,881	\$ -	\$ -
Mutual Funds	61,770,836	-	1,633,688	60,137,148
Corporate Bonds	23,148,559	481,027	22,667,532	-
U.S. Treasuries	17,334,870	2,475,490	14,859,380	-
Federal Home Loan Bank	1,890,952	413,320	1,477,632	-
Federal Home Loan Mortgage Corp	5,345,096	531,930	4,813,166	-
Fannie Mae	9,289,492	432,952	8,856,540	-
Ginnie Mae	115,401	-	115,401	-
Common Stock	29,090,675	-	-	29,090,675
<b>Total Fire and Police Investment</b>	<b>\$ 152,373,762</b>	<b>\$ 8,722,600</b>	<b>\$ 54,423,339</b>	<b>\$ 89,227,823</b>

Smith Barney Money Market	\$ 770,338
JP Morgan Money Market	699,877
Schwab Money Market	227,856
MB Bank Money Market	2,689,810
<b>Total Money Market / Liquid Assets</b>	<b>\$ 4,387,881</b>

**CITY OF EVANSTON, ILLINOIS**

**Notes to the Financial Statements**

For the Fiscal Year ended December 31, 2013

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**NOTE 4. DEPOSITS WITH FINANCIAL INSTITUTIONS AND INVESTMENTS – Continued**

**C. Types of Investments - continued**

*Interest Rate Risk.* The City's investment policy does not limit investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. The objective is to maintain a core portfolio with maturities primarily in the three month to three years range.

*Credit Risk.* State law limits investments in commercial paper, corporate bonds, and mutual bonds funds to the top two ratings issued by nationally recognized statistical rating organizations. The City's investment policy does not impose further limits on investment choices. The Police and Fire Pension Funds have investments in corporate bonds with S&P ratings ranging from BBB- to AAA. The Illinois Funds and Money Markets were rated AAA by Standard & Poor's. The Illinois Metropolitan Investment 1 - 3 Year Fund (IMET) exclusively invests in AAA Standard & Poor's securities, such as treasury and agency obligations. IMET's convenience fund collateralizes all of its deposits 110%. Illinois Funds and IMET are an investment pools managed by the State of Illinois, Office of the Treasurer, and a Board of Trustees, respectively which allows governments within the State to pool their funds for investment purposes. They are not registered with the SEC as an investment company, but do operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. The investments in the securities of the U.S. government agencies were all rated triple A or Aaa by the Standard & Poor's and by Moody's Investor's Services. The following investments in Illinois Funds and IMET are valued at the fund's share price, the price for which the investments could be sold.

Illinois Funds			
City of Evanston	\$	8,485,221	
Township		<u>461,694</u>	\$ 8,946,915
IMET money market			
City of Evanston		21,167,361	
Fire and Police pension plan		<u>131,385</u>	<u>21,298,746</u>
			<u>\$ 30,245,661</u>

*Custodial Credit Risk.* For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investment or collateral securities that are in the possession of an outside party. All of the City's investments were insured, registered, or held by the counterparty's trust department in the City's name.

*Concentration of Credit Risk.* It is the policy of the City to diversify its investment portfolio. Investments shall be diversified to eliminate the risk of loss resulting from overconcentration in a security, maturity, issuer, or class of securities. At December 31, 2013, Police Pension Trust Fund had investments in each of U.S. Treasuries and Corporate Bonds that exceeded 10% of net position available for benefits. The Firefighters' Pension Trust Fund had investments in Corporate Bonds that exceeded 10% of net position available for benefits.

**CITY OF EVANSTON, ILLINOIS**

**Notes to the Financial Statements**

For the Fiscal Year ended December 31, 2013

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**NOTE 4. DEPOSITS WITH FINANCIAL INSTITUTIONS AND INVESTMENTS – Continued**

**D. Deposits**

*Custodial Credit Risk.* For a deposit, custodial credit risk is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its deposit or collateral securities that are in the possession of an outside party. All of the City's deposits were insured, collateralized, or filed by the counterparty's trust.

City

Deposits consist of deposits in interest-bearing and noninterest-bearing checking accounts. At December 31, 2013, the carrying amount of the City's deposits, including cash on hand of \$11,334 was \$33,024,283. The financial institutions' balances totaled \$31,945,941.

Township

At March 31, 2013, the carrying amount of the Township's deposits was \$164,410. The financial institutions' balances totaled \$205,628.

Fiduciary

Deposits consist of deposits in interest-bearing and noninterest-bearing accounts. At December 31, 2013, the carrying amount of the Pension's deposits was \$720,231. The financial institutions' balances totaled \$720,231.

**E. Reconciliation of Unrestricted and Restricted Cash and Investments**

The total of unrestricted cash and investments and restricted cash and investments from the Statement of Net Position and for the fiduciary funds is reconciled to the preceding deposit and investment disclosures (Notes 4C and Notes 4D) as follows:

Unrestricted cash and equivalents	\$ 62,227,857
Unrestricted investments	363,439
Restricted cash and equivalents and investments	<u>711,672</u>
Total Cash and Investments – Primary Government	63,302,968
Fiduciary funds cash and equivalents	5,239,497
Fiduciary funds investments	<u>147,985,882</u>
Total Cash and Investments	<u>\$ 216,528,347</u>
Carrying amount of deposits – from Note 4 D	\$ 33,908,924
Illinois funds and IMET money market - from Note 4 C	30,245,661
Investments – from Note 4 C table	<u>152,373,762</u>
Total	<u>\$ 216,528,347</u>

**CITY OF EVANSTON, ILLINOIS**

**Notes to the Financial Statements**

For the Fiscal Year ended December 31, 2013

**NOTE 5. RECEIVABLES**

**A. Summary of Receivables**

Receivables as of December 31, 2013 for the government’s individual major funds, nonmajor, internal service funds and fiduciary funds in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

	General Fund	General Obligation Debt	Employer Pension Contribution	Water	Sewer	Solid Waste	Motor Vehicle Parking System	Nonmajor and Other Funds	Total
Receivables:									
Property taxes	\$ 12,276,924	\$ 11,275,348	\$ 14,419,286	\$ -	\$ -	\$ -	\$ -	\$ 8,644,061	\$ 46,615,619
Accounts	-	-	-	2,543,764	2,297,696	654,481	-	-	5,495,941
Notes	-	-	-	-	-	-	-	7,781,837	7,781,837
Special assessments	-	-	-	-	-	-	-	558,150	558,150
Other	2,752,574	-	-	-	860,353	-	19,784	963,592	4,596,303
Gross receivables	15,029,498	11,275,348	14,419,286	2,543,764	3,158,049	654,481	19,784	17,947,640	65,047,850
Less: allowance for uncollectibles	(245,538)	(225,507)	(288,386)	-	-	-	-	(262,881)	(1,022,312)
Net total receivables	<u>\$ 14,783,960</u>	<u>\$ 11,049,841</u>	<u>\$ 14,130,900</u>	<u>\$ 2,543,764</u>	<u>\$ 3,158,049</u>	<u>\$ 654,481</u>	<u>\$ 19,784</u>	<u>\$ 17,684,759</u>	<u>\$ 64,025,538</u>

Out of the total Notes Receivable, \$7,539,671 is estimated not to be paid during the next year. Out of the total Special Assessment receivable, \$325,100 is estimated not to be paid during the next year.

Governmental funds report deferred inflows of resources in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Property taxes levied for the subsequent year less those collected within 60 days of year end are not earned and can not be used to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned. At the end of the current fiscal period, the City's deferred inflows of resources consisted solely of property taxes levied for the subsequent years less those collected within 60 days of year end.

**B. Notes Receivable – Special Revenue Funds**

The City makes loans to City residents for the rehabilitation of single-family and multi-family housing. Initial funding for these loans was from Community Development Block Grant (CDBG) and Housing and Urban Development (HUD) Funds. Two types of loans are made: (1) title transfer loans which are due in full when the housing unit is sold, and (2) amortizing loans which are due in monthly installments over varying lengths of time. Repayments of principal and any interest earned on these receivables, which are recorded in the respective Special Revenue funds, are used to make additional rehabilitation loans. An allowance of \$90,000 exists in the Special Revenue funds due to doubtful accounts. Loan activity for the current period is summarized as follows:

Interest Rates	Beginning	Loans Made	Loan Repayments	Ending
0% - 8%	<u>\$ 6,967,452</u>	<u>\$ 876,551</u>	<u>\$ 152,166</u>	<u>\$ 7,691,837</u>



**CITY OF EVANSTON, ILLINOIS**

**Notes to the Financial Statements**

For the Fiscal Year ended December 31, 2013

**NOTE 6. CAPITAL ASSETS**

**A. Capital Asset Activity**

Capital asset activity for the fiscal year ended December 31, 2013, was as follows:

	Beginning	Additions	Deletions	Transfers	Ending
<b>Governmental activities:</b>					
Capital assets, not being depreciated:					
Land	\$ 7,212,044	\$ -	\$ -	\$ -	\$ 7,212,044
Right of way	18,695,896	-	-	-	18,695,896
Artwork	155,000	-	-	-	155,000
Construction in progress	-	130,711	-	-	130,711
<b>Total capital assets, not being depreciated</b>	<b>26,062,940</b>	<b>130,711</b>	<b>-</b>	<b>-</b>	<b>26,193,651</b>
Capital assets, being depreciated/amortized:					
Buildings and improvements	75,650,699	2,651,097	-	-	78,301,796
Office equipment and furniture	4,221,960	103,924	71,414	-	4,254,470
Intangible assets	6,395,426	577,207	88,585	-	6,884,048
Machinery and equipment	23,551,554	2,674,903	1,435,435	-	24,791,022
Infrastructure	150,441,250	7,249,569	-	-	157,690,819
Capitalized leases	463,453	39,079	-	-	502,532
<b>Total capital assets being depreciated/amortized</b>	<b>260,724,342</b>	<b>13,295,779</b>	<b>1,595,434</b>	<b>-</b>	<b>272,424,687</b>
Less accumulated depreciation/amortization for:					
Buildings and improvements	29,641,081	1,651,722	-	-	31,292,803
Office equipment and furniture	3,028,885	165,239	71,414	-	3,122,710
Intangible assets	5,566,310	151,712	88,585	-	5,629,437
Machinery and equipment	15,701,154	1,694,338	1,419,340	-	15,976,152
Infrastructure	71,235,043	5,925,799	-	-	77,160,842
Capitalized leases	463,453	1,954	-	-	465,407
<b>Total accumulated depreciation/amortization</b>	<b>125,635,926</b>	<b>9,590,764</b>	<b>1,579,339</b>	<b>-</b>	<b>133,647,351</b>
<b>Total capital assets being depreciated/amortized, net</b>	<b>135,088,416</b>	<b>3,705,015</b>	<b>16,095</b>	<b>-</b>	<b>138,777,336</b>
<b>Governmental activities capital assets, net</b>	<b>\$ 161,151,356</b>	<b>\$ 3,835,726</b>	<b>\$ 16,095</b>	<b>\$ -</b>	<b>\$ 164,970,987</b>

**CITY OF EVANSTON, ILLINOIS**

**Notes to the Financial Statements**

For the Fiscal Year ended December 31, 2013

**NOTE 6. CAPITAL ASSETS - Continued**

**A. Capital Asset Activity - Continued**

	Beginning	Additions	Deletions	Transfers	Ending
<b>Business-type activities:</b>					
Capital assets, not being depreciated:					
Land	\$ 4,644,510	\$ -	\$ -	\$ -	\$ 4,644,510
Construction in progress	6,417,547	9,031,341	3,094,861	-	12,354,027
Artwork	359,752	-	-	-	359,752
<b>Total capital assets, not being depreciated</b>	<b>11,421,809</b>	<b>9,031,341</b>	<b>3,094,861</b>	<b>-</b>	<b>17,358,289</b>
Capital assets, being depreciated/amortized:					
Land improvements	3,633,499	-	-	-	3,633,499
Buildings and improvements	76,405,856	1,169,624	-	-	77,575,480
Leasehold improvements	302,752	-	-	-	302,752
Plant	40,255,568	1,060,639	91,999	-	41,224,208
Transmission and distribution system	41,439,487	-	758,792	-	40,680,695
Sewer system and underground lines	243,113,181	1,425,385	-	-	244,538,566
Intangible assets	485,259	24,575	-	-	509,834
Equipment	2,983,660	-	-	-	2,983,660
Parking meters	707,688	-	-	-	707,688
<b>Total capital assets being depreciated/amortized</b>	<b>409,326,950</b>	<b>3,680,223</b>	<b>850,791</b>	<b>-</b>	<b>412,156,382</b>
Less accumulated depreciation/amortization for:					
Land improvements	1,333,105	197,428	-	-	1,530,533
Buildings and improvements	17,288,354	2,173,397	-	-	19,461,751
Leasehold improvements	302,752	-	-	-	302,752
Plant	14,297,158	946,466	31,237	-	15,212,387
Transmission and distribution system	8,069,218	443,444	758,792	-	7,753,870
Sewer system and underground lines	43,002,336	3,285,492	-	-	46,287,828
Intangible assets	173,326	69,615	-	-	242,941
Equipment	2,219,995	181,419	-	-	2,401,414
Parking meters	743,814	113,249	-	-	857,063
<b>Total accumulated depreciation/amortization</b>	<b>87,430,058</b>	<b>7,410,510</b>	<b>790,029</b>	<b>-</b>	<b>94,050,539</b>
<b>Total capital assets being depreciated/amortized, net</b>	<b>321,896,892</b>	<b>(3,730,287)</b>	<b>60,762</b>	<b>-</b>	<b>318,105,843</b>
<b>Business-type activities capital assets, net</b>	<b>\$ 333,318,701</b>	<b>\$ 5,301,054</b>	<b>\$ 3,155,623</b>	<b>\$ -</b>	<b>\$ 335,464,132</b>

**CITY OF EVANSTON, ILLINOIS**

**Notes to the Financial Statements**

For the Fiscal Year ended December 31, 2013

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**NOTE 6. CAPITAL ASSETS - Continued**

**A. Capital Asset Activity - Continued**

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental activities:

General management and support	\$ 360,369
Public safety	561,200
Public works	5,259,956
Housing and Economic Development	7,460
Recreation and cultural opportunities	1,822,247
Internal Service Funds	<u>1,579,532</u>

Total depreciation expense – governmental activities \$ 9,590,764

Business – type activities:

Water	\$ 1,449,757
Sewer	3,320,883
Motor Vehicle Parking	<u>2,639,870</u>

Total depreciation expense – business – type activities \$ 7,410,510

**B. Construction Commitments**

The value of construction contracts signed, where the work has not yet been performed at December 31, 2013, is as follows:

Capital Improvement Fund	\$ 2,189,390
Sewer Fund	1,513,755
Water Fund	<u>1,388,290</u>
Total Construction Commitments	<u>\$ 5,091,435</u>

**CITY OF EVANSTON, ILLINOIS**

**Notes to the Financial Statements**

For the Fiscal Year Ended December 31, 2013

**NOTE 7. INTERFUNDS**

The outstanding balances between funds result mainly from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

**A. Interfund Accounts**

At December 31, 2013 interfund receivables and payables consist of the following:

Funds	Due from Other Funds	Due to Other Funds
Governmental Funds		
General Fund		
Emergency Telephone System	\$ -	\$ 50,978
Economic Development	16,973	-
Fleet Service	85,796	-
Insurance	-	575,413
Community Development Block Grant	714	-
Capital Improvements	-	25,163
Spec Assess CAP Project	23,968	-
Water	-	161,287
Sewer	-	1,026,525
Solid Waste	1,427,436	-
Neighborhood Stabilization Program 2	16,661	-
Community Development Loan	-	1,965
Neighborhood Improvement	-	-
Howard Ridge TIF	-	195,181
West Evanston	15,000	-
Motor Vehicle Parking System	53,019	-
Special Service DIST #4	190,000	-
Affordable Housing	-	20,000
Washington Natl TIF Debt Serv	500,000	-
SSD #5 Debt Service	-	370,000
Howard-Hartrey TIF Debt Serv	700,000	-
Southwest TIF Debt Service	-	290,000
General Obligation Debt Service	-	550,000
Equipment Replacement	-	1,280,000
Total General Fund	<u>3,029,567</u>	<u>4,546,512</u>
Capital Improvements		
General Fund	25,163	-
General Obligation Debt Service	76,360	-
Total Capital Improvements	<u>101,523</u>	<u>-</u>
General Obligation Debt Service Fund		
General Fund	550,000	-
Capital Improvements	-	76,360
Fleet Service	19,001	-
Total General Obligation Debt Service Fund	<u>569,001</u>	<u>76,360</u>

CITY OF EVANSTON, ILLINOIS

Notes to the Financial Statements

For the Fiscal Year Ended December 31, 2013

NOTE 7. INTERFUNDS - Continued

A. Interfund Accounts - Continued

Funds	Due from Other Funds	Due to Other Funds
Nonmajor Governmental Funds		
Neighborhood Stabilization Program 2		
General Fund	\$ -	\$ 16,661
Economic Development		
General Fund	-	16,973
Affordable Housing		
General Fund	20,000	-
CD Loan Fund	-	1,752
Total Affordable Housing	20,000	1,752
Emergency Telephone System		
General Fund	50,978	-
Community Development Block Grant		
General Fund	-	714
Spec Assess CAP Project	-	33,352
CD Loan Fund	-	23
Affordable Housing	1,752	-
Total Community Development Block Grant	1,752	34,089
Community Development Loan		
General Fund	1,965	-
Community Development Block Grant	23	-
Total Community Development Loan	1,988	-
Washington Natl. Tax Increment District Debt Svc.		
General Fund	-	500,000
Total Washington Natl. Tax Increment District Debt Svc.	-	500,000
Howard Ridge Tax Increment District		
General Fund	195,000	-
Howard Hartrey Tax increment District		
General Fund	-	700,000
Total Howard Hartrey Tax increment District	-	700,000
Special Service District No. 4		
General Fund	-	190,000
Total Special Service District No. 4	-	190,000
Special Service District No. 5		
General Fund	370,000	-
Total Special #5 Debt Service Fund	370,000	-
Southwest Tax Increment District		
General Fund	290,000	-
Total Southwest Tax Increment District	290,000	-
West Evanston Tax Increment District		
General Fund	-	15,000
Total West Evanston Tax Increment District	-	15,000
Town		
General Assistance	14,446	-
General Assistance		
Town	-	14,446

CITY OF EVANSTON, ILLINOIS

Notes to the Financial Statements

For the Fiscal Year Ended December 31, 2013

NOTE 7. INTERFUNDS - Continued

A. Interfund Accounts - Continued

Funds	Due from Other Funds	Due to Other Funds
Nonmajor Governmental Funds - Continued		
Spec Assess CAP Project		
General Fund	\$ -	\$ 23,968
CBDG Fund	33,352	-
Water Fund	412	-
Total Spec Assess CAP Project	<u>33,764</u>	<u>23,968</u>
Total Nonmajor Governmental Funds	<u>977,928</u>	<u>1,512,889</u>
Total Governmental Funds	<u>4,678,019</u>	<u>6,135,761</u>
Enterprise Funds		
Water		
General Fund	161,287	-
Sewer Fund	31,147	-
Motor Vehicle Parking System	1,762	-
Howard Ridge TIF	55	-
Solid Waste	-	19,944
Special Assessment CP Fund	-	412
Total Water	<u>194,251</u>	<u>20,356</u>
Sewer		
General Fund	1,026,525	-
Howard Ridge TIF	126	-
Water Fund	-	31,147
Total Sewer	<u>1,026,651</u>	<u>31,147</u>
Solid Waste		
General Fund	-	1,427,436
Water Fund	19,944	-
Total Solid Waste	<u>19,944</u>	<u>1,427,436</u>
Motor Vehicle Parking System		
General Fund	-	53,019
Water Fund	-	1,762
Total Motor Vehicle Parking System	<u>-</u>	<u>54,781</u>
Total Enterprise Funds	<u>1,240,846</u>	<u>1,533,720</u>
Internal Service Funds		
Fleet Services		
General Fund	-	85,796
General Obligation Debt Service	-	19,001
Equipment replacement	-	63,937
Total Fleet Services	<u>-</u>	<u>168,734</u>
Insurance		
General Fund	575,413	-
Equipment replacement	68,743	-
Total Insurance	<u>644,156</u>	<u>-</u>
Equipment Replacement		
General Fund	1,280,000	-
Fleet Service	63,937	-
Insurance Fund	-	68,743
Total Equipment Replacement	<u>1,343,937</u>	<u>68,743</u>
Total Internal Service Funds	<u>1,988,093</u>	<u>237,477</u>
Total Primary Government	<u>\$ 7,906,958</u>	<u>\$ 7,906,958</u>

CITY OF EVANSTON, ILLINOIS

Notes to the Financial Statements

For the Fiscal Year Ended December 31, 2013

NOTE 7. INTERFUNDS - Continued

B. Interfund Transfers

Transfers are used to 1) move revenues from the fund with collection authorization to the debt service fund as debt service principal and interest payments become due, 2) move restricted amounts from borrowings to the debt service fund to establish mandatory reserve accounts, 3) move restricted general fund revenues to finance various programs that the government must account for in other funds in accordance with budgetary authorization, including amounts provided as subsidies or matching funds for various grant programs.

At December 31, 2013 transfers in / out consist of the following:

Funds	Transfers In	Transfers Out
Governmental Funds		
General Fund		
Emergency Telephone System Fund	\$ 125,950	\$ -
Neighborhood Stabilization Program 2	87,624	-
Affordable Housing Fund	23,990	-
Washington Natl. Tax Increment District Debt Svc.	331,000	-
Howard Hartrey Tax Increment District	144,400	-
Southwest Tax Increment District	29,500	-
Capital Improvement Fund	475,000	-
Fleet Services	-	600,000
Insurance Fund	-	500,000
Water Fund	3,356,300	-
Sewer	142,200	-
Motor Vehicle Parking System	644,242	-
Solid Waste Fund	-	1,245,967
Howard Ridge Tax Increment District	120,400	-
Motor Fuel Tax Fund	833,000	-
West Evanston Tax Increment District	60,000	-
General Obligation Debt Service Fund	-	1,000,000
Economic Development	452,707	-
Total General Fund	<u>6,826,313</u>	<u>3,345,967</u>
Capital Improvements		
General Fund	-	475,000
General Obligation Debt Service Fund		
General Fund	1,000,000	-
Special Assessment	317,660	-
Sewer	-	1,851,827
Total General Obligation Debt Service Fund	<u>1,317,660</u>	<u>1,851,827</u>
Nonmajor Governmental Funds		
Economic Development		
Howard Ridge	48,500	-
General Fund	-	452,707
Total Economic Development	<u>48,500</u>	<u>452,707</u>

CITY OF EVANSTON, ILLINOIS

Notes to the Financial Statements

For the Fiscal Year Ended December 31, 2013

NOTE 7. INTERFUNDS - Continued

B. Interfund Transfers - Continued

Funds	Transfers In	Transfers Out
Nonmajor Governmental Funds - Continued		
Southwest Tax Increment District		
General Fund	\$ -	\$ 29,500
Howard Hartrey Tax Increment District		
General Fund	-	144,400
Howard Ridge Tax Increment District		
Economic Development		48,500
General Fund	-	120,400
Total Howard Ridge Tax Increment District	-	168,900
Washington Natl. Tax Increment District Debt Svc.		
General Fund	-	331,000
Motor Vehicle Parking System	-	3,631,350
Total Washington National Tax Increment District	-	3,962,350
West Evanston Tax Increment District		
General Fund	-	60,000
Emergency Telephone System		
General Fund	-	125,950
Special Assessment		
General Obligation Debt Service Fund	-	317,660
Affordable Housing Fund		
General Fund	-	23,990
Motor Fuel Tax		
General Fund	-	833,000
Neighborhood Stabilization Program 2		
General Fund	-	87,624
Total Nonmajor Governmental Funds	48,500	6,206,081
Total Governmental Funds	8,192,473	11,878,875
Enterprise Funds		
Water		
General Fund	-	3,356,300
Total Water	-	3,356,300
Sewer		
General Fund	-	142,200
General Obligation Debt Service Fund	1,851,827	-
Total Sewer	1,851,827	142,200
Motor Vehicle Parking System		
General Fund	-	644,242
Washington National Tax Increment District	3,631,350	-
Total Motor Vehicle Parking System	3,631,350	644,242
Solid Waste		
General Fund	1,245,967	-
Total Enterprise Funds	6,729,144	4,142,742



CITY OF EVANSTON, ILLINOIS

Notes to the Financial Statements

For the Fiscal Year Ended December 31, 2013

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NOTE 7. INTERFUNDS - Continued

B. Interfund Transfers - Continued

Funds	Transfers In	Transfers Out
Internal Service Funds		
Fleet Services		
General Fund	\$ 600,000	\$ -
Insurance		
General Fund	500,000	-
Total Internal Service Funds	<u>1,100,000</u>	<u>-</u>
Total Primary Government	<u>\$ 16,021,617</u>	<u>\$ 16,021,617</u>

**CITY OF EVANSTON, ILLINOIS**

**Notes to the Financial Statements**

For the Fiscal Year Ended December 31, 2013

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**NOTE 8. Operating Leases**

The City of Evanston has nine digital office copiers leased from Chicago Office Technology Group. The copiers are located in the Evanston Civic Center and the Evanston Police headquarter. The City entered into lease agreement for these copiers during the 2010-11 fiscal year. The lease term is 48 months starting August, 2010.

The City entered into lease agreement for postage machine with Neopost during the 2012 fiscal year. The machine is located on the first floor in the Civic Center. The lease term is 63 months with the first payment due in February, 2013.

<u>Leasing Co.</u>	<u>Expiration</u>	<u>Number of Machines</u>	<u>Monthly Payment</u>	<u>Annual lease payment</u>	<u>Type of Machines</u>
Chicago Office Technology Group	7/31/2014	9	1,642	\$ 16,420	Copiers
Mail Finance	4/30/2018	1	375	4,500	Postage Machine

Minimum annual lease payments are as follows:

Year ending 12/31/2014	15,994
Year ending 12/31/2015	4,500
Year ending 12/31/2016	4,500
Year ending 12/31/2017	4,500
Year ending 12/31/2018	<u>1,500</u>
	<u>\$ 30,994</u>

**CITY OF EVANSTON, ILLINOIS**

**Notes to the Financial Statements**

For the Fiscal Year ended December 31, 2013

**NOTE 9. LONG-TERM DEBT**

**A. Changes in Long-Term Debt**

	Interest Rate	Final Maturity Date	Balance 12/31/2012	Issued	Payments	Balance 12/31/2013	Due Within One Year
<b>G.O. Debt Governmental Activities</b>							
Series 2004	2.00%-5.00%	12/1/2023	\$ 9,881,794	\$ -	\$ 9,881,794	\$ -	\$ -
Series 2004B	2.00%-5.25%	12/1/2017	2,830,000	-	2,830,000	-	-
Series 2005	3.25%-5.00%	12/1/2025	12,815,536	-	12,815,536	-	-
Series 2006	3.85%-5.00%	12/1/2026	9,550,000	-	135,000	9,415,000	235,000
Series 2006B	4.00%-4.25%	12/1/2023	14,430,000	-	35,000	14,395,000	55,000
Series 2007	4.00%-5.00%	12/1/2016	14,993,099	-	1,000,000	13,993,099	1,949,709
Series 2008A	3.00%-5.00%	12/1/2021	3,020,000	-	300,000	2,720,000	300,000
Series 2008C	3.00%-5.00%	12/1/2028	8,542,500	-	381,900	8,160,600	397,980
Series 2008D	3.25%-5.00%	12/1/2016	5,117,440	-	2,480,000	2,637,440	1,705,600
Series 2010A	2.00%-3.625%	12/1/2029	5,960,000	-	305,000	5,655,000	305,000
Series 2010B	1.00%-3.30%	12/1/2019	5,487,920	-	647,358	4,840,562	684,946
Series 2011A	2.00%-4.50%	12/1/2031	14,128,322	-	1,234,836	12,893,486	1,250,432
Series 2012A (SSA#5)	2.00%-3.25%	12/1/2032	1,515,000	-	340,000	1,175,000	380,000
Series 2012A	2.00%-3.25%	12/1/2032	9,900,000	-	995,000	8,905,000	1,035,000
Series 2013A	2.00%-4.75%	12/1/2033	-	10,565,000	-	10,565,000	20,000
Series 2013B	2.00%-3.00%	12/1/2025	-	22,176,324	-	22,176,324	1,721,005
Subtotal Governmental Activities			<u>118,171,611</u>	<u>32,741,324</u>	<u>33,381,424</u>	<u>117,531,511</u>	<u>10,039,672</u>
Bonds premium liability			3,731,770	1,362,700	535,258	4,559,212	-
OPEB liability			1,671,636	120,482	-	1,792,118	-
Pension contributions			20,315,719	14,076,602	14,841,987	19,550,334	-
Compensated absences payable- City			8,013,066	6,200,667	3,914,022	10,299,711	3,913,890
IMRF Pension contributions			2,826,754	3,099,005	2,876,517	3,049,242	-
First Bank Loan			648,812	-	-	648,812	-
Claims payable			7,260,767	735,307	3,204,614	4,791,460	2,414,551
Subtotal Other G.A. Liabilities			<u>44,468,524</u>	<u>25,594,763</u>	<u>25,372,398</u>	<u>44,690,889</u>	<u>6,328,441</u>
Total Governmental Activity Debt & Liabilities			<u>\$ 162,640,135</u>	<u>\$ 58,336,087</u>	<u>\$ 58,753,822</u>	<u>\$ 162,222,400</u>	<u>\$ 16,368,113</u>
<b>G.O. Debt Business-type Activities</b>							
Series 2005 Sherman Garage	3.25%-5.00%	12/1/2025	\$ 6,945,000	\$ -	\$ 6,945,000	\$ -	\$ -
Series 2005 Sewer	3.25%-5.00%	12/1/2025	250,000	-	250,000	-	-
Series 2007 Sewer	4.00%-5.00%	12/1/2016	1,050,000	-	185,000	865,000	195,000
Series 2007 Parking	4.00%-5.00%	12/1/2016	750,000	-	130,000	620,000	140,000
Series 2008B Sherman Garage	3.00%-5.00%	12/1/2018	11,905,000	-	1,790,000	10,115,000	1,685,000
Series 2008C Sewer	3.00%-5.00%	12/1/2028	2,082,500	-	93,100	1,989,400	97,020
Series 2008D Sewer	3.25%-5.00%	12/1/2016	945,000	-	945,000	-	-
Series 2010B	1.00%-3.30%	12/1/2019	1,082,080	-	127,643	954,437	135,054
Series 2011A	2.00%-4.50%	12/1/2031	3,906,677	-	165,165	3,741,512	169,568
Series 2012A	2.00%-3.25%	12/1/2032	4,305,000	-	-	4,305,000	175,000
Series 2013A- Water	2.00%-4.75%	12/1/2033	-	2,000,000	-	2,000,000	55,000
Series 2013B	2.00%-3.00%	12/1/2025	-	5,821,009	-	5,821,009	671,876
Subtotal Business-type Activities			<u>33,221,257</u>	<u>7,821,009</u>	<u>10,630,908</u>	<u>30,411,358</u>	<u>3,323,518</u>
Water Revenue Bond Series 1999	4.125-4.375%	1/1/2014	595,000	-	290,000	305,000	305,000
IEPA Loans	2.535-3.59%	Various	70,375,368	2,547,781	8,264,767	64,658,382	7,919,121
Unamortized bond Premium and discount			10,348	-	1,129	9,219	-
Bonds premium liability			796,055	318,825	165,438	949,442	-
Compensated absences payable- City			886,464	674,296	584,854	975,906	463,555
IMRF Pension contributions			604,019	672,418	624,143	652,294	-
OPEB Liability			225,286	46,873	-	272,159	-
Subtotal Other Business-type Activity Liabilities			<u>2,522,172</u>	<u>1,712,412</u>	<u>1,375,564</u>	<u>2,859,020</u>	<u>463,555</u>
Total Business-type Activities Debt & Liabilities			<u>\$ 106,713,797</u>	<u>\$ 12,081,202</u>	<u>\$ 20,561,239</u>	<u>\$ 98,233,760</u>	<u>\$ 12,011,194</u>
Total Governmental & Business-type Activities Debt & Liabilities			<u>\$ 269,353,932</u>	<u>\$ 70,417,289</u>	<u>\$ 79,315,061</u>	<u>\$ 260,456,160</u>	<u>\$ 28,379,308</u>

Note: Employer Pension Contribution Fund has been used to liquidate the net pension obligation. Sewer Fund, Water Fund, Solid Waste, Parking Fund and General Fund have been used to liquidate IMRF Pension liability. General Fund, Fleet Fund, Water Fund, Parking Fund, Solid Waste Fund and Sewer Funds have been used to liquidate other post employment benefit obligations.

**CITY OF EVANSTON, ILLINOIS**

**Notes to the Financial Statements**

For the Fiscal Year ended December 31, 2013

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**NOTE 9- LONG-TERM DEBT - Continued**

**A. Changes in Long-term Debt- Continued**

**Business type activities - Water Revenue Bonds**

Business type activities revenue bonds are payable from revenues derived from Water service fees. The City has pledged future revenues, net of operating expenses, to repay original principal totaling \$5,855,000 in revenue bonds issued in 1999 and 2002. Proceeds from the bonds provided financing for Water CIP projects. The bonds are payable solely from revenues through 2014. Annual interest payment on the bonds is expected to require \$6,672 of net revenues for the year ended December 31, 2014. The total principal and interest remaining to be paid on the bonds is \$311,672. Principal and interest paid for the current period totaled \$309,687 on net customer revenues of \$6,482,041.

Revenue debt payable consists of the following:

<u>Date of Issue</u>	<u>Final Maturity</u>	<u>Interest Rates</u>	<u>Original Indebtedness</u>	<u>Balance</u>
1/25/1999	1/1/2014	Various	\$ 3,500,000	<u>\$ 305,000</u>

**Business type activities - IEPA Loans**

Business type activities IEPA loans are payable from revenues derived from Sewer and Water service fees. The City has pledged future revenues, net of operating expenses, to repay principal totaling \$148,449,812 in IEPA loans issued in 1993 through 2013. Proceeds from the loans provided financing for the Long Term Sewer and Water Improvement Program. The IEPA loans, payable from operating revenues and property tax levies, are payable through 2033. The City of Evanston issued \$1,955,000 in GO bonds during the fiscal year to repay IEPA loan payments. Annual principal and interest on the loans are expected to require \$9,529,867 of net revenues for the Fiscal year 2014. The total principal and interest remaining to be paid on the loans is \$73,572,562. Principal and interest paid for the current period and total customer net revenues were \$10,041,859 and \$11,176,088 respectively.

IEPA loans payable consist of the following:

<u>Date of Issue</u>	<u>Final Maturity</u>	<u>Interest Rates</u>	<u>Original Indebtedness</u>	<u>Balance</u>
Various	Various	Various	\$ 148,449,812	<u>\$ 64,658,382</u>
Total Business type Activities- IEPA Loan Debt				<u>\$ 64,658,382</u>

**CITY OF EVANSTON, ILLINOIS**

**Notes to the Financial Statements**

For the Fiscal Year ended December 31, 2013

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**NOTE 9- LONG-TERM DEBT - Continued**

**B. General Obligation Bonds Payable**

The City issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities. General obligation bonds have been issued for both governmental and business-type activities.

General obligation bonds are direct obligations and pledge the full faith and credit of the City. These bonds generally are issued as 20-year serial bonds with equal amounts of principal maturing each year.

In July, 2013 the City issued Series 2013A in General Obligation bonds for a total of \$12,565,000. The Bonds were issued to provide financing for certain public improvement projects. The Bond issue also included money to deposit into debt service funds of the City's Sewerage System for purposes of paying certain outstanding obligations on their scheduled payment dates.

In October, 2013 the City issued Series 2013B in General Obligation Refunding Bonds for a total of \$28,875,000. The Bonds were issued to current refund Series 2004, Series 2004B and Series 2005 Bonds. This resulted in a net savings of \$4,421,838 which translates to a net present value savings of \$4,172,774.

**CITY OF EVANSTON, ILLINOIS**

**Notes to the Financial Statements**

For the Fiscal Year ended December 31, 2013

**NOTE 9- LONG-TERM DEBT - Continued**

**B. General Obligation Bonds Payable - Continued**

The following schedule illustrates the annual debt service requirements to maturity for general obligation bonds.

Year Ending December 31	Governmental Activities		Business-type Activities	
	Principal	Interest	Principal	Interest
2014	\$ 10,039,673	\$ 4,403,888	\$ 3,323,518	\$ 1,128,618
2015	9,228,118	3,961,243	4,249,946	989,187
2016	9,870,943	3,652,868	4,390,816	849,761
2017	9,408,864	3,359,908	4,962,126	704,679
2018	9,056,234	3,048,121	3,916,935	492,766
2019-2023	40,258,473	10,605,637	3,280,321	1,569,137
2024-2028	22,373,602	4,088,823	3,713,306	949,051
2029-2033	7,295,605	789,062	2,574,390	257,201
Total	<u>\$ 117,531,511</u>	<u>\$ 33,909,550</u>	<u>\$ 30,411,358</u>	<u>\$ 6,940,400</u>

**C. Special Service District Bonds Payable**

The City also issued debt in the Special Service District No. 5 fund to provide funds for the principal and interest payments on unlimited ad valorem tax bonds issued for this special taxing district.

Special Service District bond is included within the total of General Obligation Bonds. Annual debt service requirements to maturity for special service district bonds are as follows:

For the Fiscal Year ending	Governmental Activities	
	Principal	Interest
2014	380,000	68,875
2015	390,000	46,605
2016	405,000	23,745
Total	<u>\$ 1,175,000</u>	<u>\$ 139,225</u>

**D. Revenue Bonds Payable**

The City also issued revenue bonds where the City pledges income derived from the acquired or constructed assets to pay debt service. The bonds were issued to finance construction projects related to the water treatment plant.

Revenue bond debt service requirements to maturity are as follows:

For the Fiscal Year ending	Business-type Activities	
	Principal	Interest
2014	305,000	6,672
Total	<u>\$ 305,000</u>	<u>\$ 6,672</u>

**CITY OF EVANSTON, ILLINOIS**

**Notes to the Financial Statements**

For the Fiscal Year ended December 31, 2013

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**NOTE 9- LONG-TERM DEBT - Continued**

**E. Notes Payable -IEPA Loans**

As of December 31, 2013, the City currently has 25 outstanding loans from the IEPA. The City will repay the loans solely from revenues derived from the sewer and water system; the loans do not constitute a full faith and credit obligation of the City. They will be repaid with equal installments consisting of principal plus simple interest, on unpaid principal balances, over a period of 20 years. Initial principal balances will consist of disbursements and interest accrued during construction. Repayments begin not later than six months after completion of construction.

Notes payable – IEPA debt service requirements to maturity are as follows:

<u>For the Fiscal Year ending</u>	<u>Business-type Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2014	\$ 7,919,121	\$ 1,610,746
2015	7,662,016	1,397,343
2016	7,142,676	1,197,718
2017	6,525,203	1,012,267
2018	6,071,092	843,409
2019-2023	20,169,577	2,313,767
2024-2028	8,287,639	491,248
2029-2033	881,058	47,682
Total	<u>\$ 64,658,382</u>	<u>\$ 8,914,180</u>

**F. Loan with First Bank & Trust, Evanston**

During the last fiscal year, the city set up a loan/line of credit with First Bank and Trust, Evanston in the amount of \$2,200,000. The loan term is three years with a maturity date of August 27, 2015. As of December 31, 2013, the city had drawn \$648,812 for two projects funded out of TIF funds. The interest rate will be calculated based on 1.00 percentage point over one month "LIBOR" rate index.

**CITY OF EVANSTON, ILLINOIS**

**Notes to the Financial Statements**

For the Fiscal Year ended December 31, 2013

**NOTE 9- LONG-TERM DEBT - Continued**

**G. Post Employment Benefits other than Pensions (Defined Benefit Plan)**

The City of Evanston's and Library's group health insurance plan provides coverage to active employees and retirees (or other qualified terminated employees) at blended premium rates. This results in an other post employment benefit (OPEB) for the retirees, commonly referred to as an implicit rate subsidy. The group health insurance plan does not issue a publicly available financial report.

Contribution requirements are established through Illinois State laws. The City of Evanston and Library implicitly contributes the difference between retiree's contributions and unblended rates. Retirees pay 100% of the blended premiums to cover themselves and their covered dependents ranging from \$507 for single coverage to \$1,953 for family coverage. The city pays 100% of health care premiums for Police officers and Firefighters, their dependents and their surviving spouses and dependent children if they were injured or killed in the line of duty during an emergency, ranging from \$507 for single coverage to \$1,953 for family coverage. For the year ended December 31, 2013, the City's estimated contribution to the plan is \$918,167. The City of Evanston's and Library's annual other post employment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with parameters of GASB Statement No.45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years.

The following table shows the components of the City of Evanston's and Library's annual OPEB cost for the year ended December 31, 2013, the estimated contributions to the plan and changes in the City's and Library's net OPEB obligation to the retiree health plan.

	<u>City</u>	<u>Library</u>
Annual Required Contribution	1,072,601	15,912
Interest on net OPEB obligation	85,361	1,171
Adjustment to Annual Required Contribution	<u>(72,440)</u>	<u>(994)</u>
Annual Pension Cost	1,085,522	16,089
Contributions made	<u>(918,167)</u>	<u>(1,463)</u>
Increase (decrease) in net pension obligation	167,355	14,626
Net OPEB obligation - Beginning	<u>1,896,922</u>	<u>26,028</u>
Net OPEB obligation - Ending	<u>\$ 2,064,277</u>	<u>\$ 40,654</u>

The City of Evanston's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation for 2013 and the two years prior were as follows.

<u>Fiscal Period Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Liability</u>
12/31/2011	926,885	86.63%	1,654,996
12/31/2012	1,113,107	78.27%	1,896,922
12/31/2013	1,085,522	84.58%	2,064,277



**CITY OF EVANSTON, ILLINOIS**

**Notes to the Financial Statements**

For the Fiscal Year ended December 31, 2013

**NOTE 9- LONG-TERM DEBT - Continued**

**G. Post Employment Benefits other than Pensions (Defined Benefit Plan) - Continued**

The Library's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation for 2013 and the two years prior were as follows.

Fiscal Period Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Liability
12/31/2011	12,857	8.72%	11,736
12/31/2012	15,508	7.84%	26,028
12/31/2013	16,089	9.09%	40,654

The funded status of the City and Library plan based on the projected valuation results as of December 31, 2013, was as follows:

	City	Library
Actuarial accrued liability (AAL)	\$ 15,870,326	\$ 148,419
Actuarial value of plan assets	-	-
Unfunded Actuarial Accrued Liability (UAAL)	<u>\$ 15,870,326</u>	<u>\$ 148,419</u>
Funded ratio (actuarial value of plan assets/AAL)	-	-
Covered payroll (active plan members)	45,455,695	1,568,343
UAAL as a percentage of covered payroll	34.91%	9.46%

Actuarial valuations of an ongoing plan involve estimates for the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality and the health care trend. Amounts determined regarding the funded status of the plan and annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information that shows whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan is understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of calculations.

In the actuarial valuation as of January 1 2013, the entry age normal cost method was used. The actuarial assumptions include a 7.00 percent investment rate of return and an annual healthcare cost trend date of 8.50 percent initially, reduced by decrements to an ultimate rate of 4.50 percent in the year 2020. Both rates include a 2.5 percent price inflation assumption. The actuarial value of retiree health plan assets was determined using techniques that spread the effects of short term volatility in the market value of investments over a three year period. Retiree health plan's unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on an open basis. The amortization period at December 31, 2013, was 30 years.

**CITY OF EVANSTON, ILLINOIS**

**Notes to the Financial Statements**

For the Fiscal Year ended December 31, 2013

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**NOTE 10. FUND EQUITY**

**A. Restrictions of Net Position - Water Fund**

The ordinances authorizing the issuance of the Water revenue bonds provided for the creation of separate reserve accounts designated as “Bond and Interest Account”, “Bond Reserve Account”, “Depreciation, Improvement, and Extension Account”, and “Surplus Revenue Account”. Descriptions of each follow:

Bond and Interest Account - All amounts required to be set aside for the purpose of paying principal and interest of outstanding Water Revenue bonds shall be set aside monthly as directed. In addition, there shall be credited monthly an amount at least equal to the sum of one-fifth of the interest becoming due on the next interest payment date and one-tenth of the aggregate yearly amount of principal due on the next principal maturity date.

Bond Reserve Account - The account shall accumulate \$145,800 per year until all bonds have been paid or provision has been made for their payment. The funds shall be retained and used only for payment of Water Revenue bonds at any time when there are insufficient funds available in the Bond and Interest Account. Whenever the balance in the account is equal to the maximum principal and interest requirements on all outstanding bonds for any succeeding fiscal year, the surplus over and above may, in the discretion of the City Council, be transferred to any other account within the Water Fund of the City.

Depreciation, Improvement, and Extension Account - The account shall accumulate \$5,100 per month or a greater amount as may be designated by the City Council. The monies shall be used first to provide an adequate allowance for depreciation, and may be used to pay for any extraordinary maintenance, repairs, and necessary replacements for improvement or extension of the system. The funds may be used at any time to pay principal of, or interest upon, any outstanding bonds payable whenever there are no other funds available. If the money on deposit is greater than \$400,000, the excess can be transferred to any other account within the Water Fund. All proceeds received from the disposition of any property shall be credited to this account.

Surplus Revenue Account - All revenues remaining after all other credits in the Water Fund have been made shall be credited to this account and be used for: making up any deficiency necessary to credit prior accounts with the required amounts; paying principal of, or interest on, any junior lien bonds; transfer to any other account of the fund; and any lawful corporate purpose, at the discretion of the City Council.

**B. Restricted Net Position - Fiduciary Funds**

Fiduciary Funds	
Firefighters' Pension Fund Restriction for employee pension benefits	\$ 65,024,941
Police Pension Fund Restriction for employee pension benefits	<u>90,763,143</u>
Total Fiduciary Funds	<u>\$ 155,788,084</u>

**CITY OF EVANSTON, ILLINOIS**

**Notes to the Financial Statements**

For the Fiscal Year ended December 31, 2013

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**NOTE 10. FUND EQUITY - Continued**

**C. Assigned Fund Balances**

The following are the assigned fund balances:

General Fund

Assigned for Arts Council	\$ 24,797
Assigned for private elm trees	134,483
Assigned for Dutch elm inoculation	557,216
Assigned for parkway trees	216,787
Assigned for Butterfield sculpture	30,883
Assigned for scholarship contributions	25,153
Assigned for Noyes Center	337,086
Assigned for recreation group activities	207,123
Assigned for youth initiative	42,151
Assigned for parks and recreation	304,158
Assigned for Mayor's programs	93,179
Assigned for Chiaravelle escrow	204,600
Assigned for IMRF - Pension	2,072,666
Assigned for Compensated Absences	2,061,694
Other assignments	<u>49,514</u>
	<u>\$ 6,361,490</u>

Capital Improvement Fund

Assigned for capital projects	<u>\$ 6,299,999</u>
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Non-major Governmental Funds

Assigned for special assessment capital project	<u>\$ 2,072,415</u>
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Total Assigned Fund Balances	<u>\$ 14,733,904</u>
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**CITY OF EVANSTON, ILLINOIS**

**Notes to the Financial Statements**

For the Fiscal Year ended December 31, 2013

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**NOTE 11. INDIVIDUAL FUND ACTIVITIES**

**A. General Obligation Debt Service Fund**

The City usually adopts several resolutions abating portions of the property tax debt service levies. The amount of property taxes abated is derived from principal and interest payments by private assessments on street paving projects; additional water/sewer service fees related to the citywide water/sewer improvement project; tax increment revenues in the Washington National and Howard Hartrey Tax Increment Districts; revenues from the Motor Vehicle Parking System Fund associated with the Maple Garage, Sherman Garage and Church Street Self-Park garage; and General Obligation Debt Service Fund interest income.

**B. Water Fund**

On January 28, 1997, the City executed a long-term water supply contract with the Village of Skokie, Illinois, to replace an expiring contract. The contract took effect on March 1, 1997 and continues in effect for a period of twenty years until February 28, 2017. The contract is renewable at ten-year intervals thereafter. Under the terms of the contract, Evanston is to supply Skokie sufficient potable Lake Michigan water to satisfy the maximum 24-hour demand for Lake Michigan water of the Village of Skokie system.

The City also provides potable Lake Michigan water to the Northwest Water Commission (NWWC) under a long-term water supply contract. Sale of potable water under this contract began on February 28, 1985 and continues until February 28, 2030. Under the terms of the current contract, Evanston is to supply the NWWC sufficient potable Lake Michigan water to satisfy the Commission's maximum 24-hour demands for Lake Michigan water for resale to the Commission's customers.

**C. Special Service District No. 4**

On August 13, 2007, the City Council adopted Ordinance No. 37-R-07 which extended the life of Special Service District No. 4 until December 31, 2019. Special Service District No. 4 comprises the central business district of the City. The special district was established for the purpose of providing funds for special maintenance and repair and for promotion and advertisement. The annual property tax levy for 2013 was \$377,548 which includes a loss & cost amount of \$7,548.

The ordinance also authorized the City to enter into an agreement with DOWNTOWN EVANSTON, an Illinois not-for-profit corporation to plan, implement, and manage the district.

**CITY OF EVANSTON, ILLINOIS**

**Notes to the Financial Statements**

For the Fiscal Year ended December 31, 2013

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**NOTE 12. RISK MANAGEMENT - CLAIMS AND JUDGMENTS**

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; natural disasters; and injuries to the City's employees. The City maintains commercial all-risk property insurance to cover damage to City facilities and contents and other losses including business interruption and loss of rents. The coverage is subject to a deductible of \$50,000 (except \$100,000 for flood and earthquake) for each loss and each location. The City also maintains crime and fidelity insurance coverage with a \$25,000 deductible to a limit of \$2,000,000. In addition, coverage is maintained for ambulance/paramedic liability.

For workers' compensation, specific excess coverage in excess of \$600,000 per occurrence is purchased from a commercial insurance company. For general liability claims, the City retains risk of loss of \$1,250,000 to a limit of \$20,000,000.

Workers' compensation and general liability risks are accounted for in the Insurance Fund. The fund was established on March 1, 1994 to administer general liability claims and workers' compensation programs on a cost-reimbursement basis. The fund accounts for the aforementioned liabilities of the City, but does not constitute a transfer of risk from the City.

The City records estimated liabilities for workers' compensation and for general claims. Claims liabilities are based on estimates of the ultimate cost of reported claims including future claim adjustment expenses.

The changes in the balances of claims liabilities during the past two fiscal periods are as follows:

	<u>Workers'</u> <u>Compensation</u>	<u>General</u> <u>Liability</u>	<u>Total</u>
<b>December 31, 2011</b>	\$ 3,221,381	\$ 4,234,165	7,455,546
New claims and/or estimate revisions	712,299	1,091,656	1,803,955
Claims payments	<u>(976,413)</u>	<u>(1,022,321)</u>	<u>(1,998,734)</u>
<b>December 31, 2012</b>	2,957,267	4,303,500	7,260,767
New claims and/or estimate revisions	76,563	(1,286,360)	(1,209,797)
Claims payments	<u>(929,045)</u>	<u>(330,465)</u>	<u>(1,259,510)</u>
<b>December 31, 2013</b>	<u>\$ 2,104,785</u>	<u>\$ 2,686,675</u>	<u>\$ 4,791,460</u>

## **CITY OF EVANSTON, ILLINOIS**

### **Notes to the Financial Statements**

For the Fiscal Year ended December 31, 2013

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#### **NOTE 13. CONTINGENCIES**

There are various claims and legal actions pending against the City for which provision has been made in the financial statements. At the present time, the City believes that the reserves established are sufficient so that the expected liability for these claims and legal actions will not materially exceed the amounts recorded in the financial statements. Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of the expenditures which may be disallowed by the grantor cannot be determined at this time although the City expects such amounts, if any, to be immaterial.

#### **NOTE 14. JOINT VENTURES**

##### **A. Solid Waste Agency of Northern Cook County**

On March 28, 1988, the Evanston City Council authorized agreements providing for the City's participation in the Solid Waste Agency of Northern Cook County (Agency) and in the interim financing of that Agency. The Agency was planned and developed by the Northwest Municipal Conference, of which the City is a member. The agency is empowered to plan, finance, construct, and operate a solid waste disposal system.

The Agency is a municipal joint action agency created as of May 2, 1988 under the provisions of the Intergovernmental Cooperation Act, 5 ILCS 220/3.2. The Agency consists of twenty-three municipalities. The Agency is governed by a Board of Directors consisting of one official selected by each member community who serves a two-year term. Each director has one vote. The Board of Directors determines the general policies of the Agency. The Executive Committee of the Agency consists of seven persons elected by the Board of Directors. Each person is entitled to one vote. The Executive Committee may take action not specifically reserved to the Board of Directors by the Act, the Agency agreement, or the bylaws.

The authority to designate management, influence operations, and formulate budgets rests with the Board of Directors and Executive Committee. No one member has the ability to significantly influence operations; therefore, the Agency is not a component unit of any other governmental reporting entity.

**CITY OF EVANSTON, ILLINOIS**

**Notes to the Financial Statements**

For the Fiscal Year ended December 31, 2013

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**NOTE 14. JOINT VENTURES – Continued**

**A. Solid Waste Agency of Northern Cook County - Continued**

Under the 1992 project use agreement executed by the City with the Agency, the City's share of project costs, including debt service and disposal, is based on its share of deliveries to the Wheeling Transfer station for each year. The City does not control the Agency's fiscal management or operations nor is the City legally responsible for any more than its share of the Agency's debt or operating deficits, if any.

Summary of Financial Position as of April 30, 2013:

Current assets	\$ 5,552,099
Property, plant, and equipment	10,277,599
Debt issuance costs, net and other assets	<u>19,961</u>
Total assets	<u>\$ 15,849,659</u>
Current liabilities	\$ 4,128,470
Long-term debt, net of unamortized discount	2,420,792
Net Investment in capital assets	6,656,807
Restricted net position	2,509,835
Unrestricted net position	<u>133,755</u>
Total liabilities and fund equity	<u>\$ 15,849,659</u>

Summary of Revenues and Expenses for the Year Ended April 30, 2013:

Total revenues	\$ 14,091,582
Total expenses	<u>(13,791,219)</u>
Net income	<u>\$ 300,363</u>

Complete financial statements for the agency can be obtained at 2700 Patriot Blvd., Glenview, IL 60026.

**CITY OF EVANSTON, ILLINOIS**

**Notes to the Financial Statements**

For the Fiscal Year ended December 31, 2013

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**NOTE 14. JOINT VENTURES – Continued**

**B. Evanston Housing Corporation**

The City agreed to jointly participate with various lending institutions in a not-for-profit housing mortgage corporation by approval of the City Council on May 22, 1989. The purpose of the corporation is to lend mortgage funds to qualified, income eligible, first-time homebuyers in the City of Evanston.

The Corporation is governed by a Board of Directors of ten people, four of whom are selected by the City. The Board has the authority to approve the annual budget and to arrange for the management of the affairs of the Corporation. The City has no governing authority to influence actions of the Corporation. The City is not liable for payment of any debts of the Corporation.

The City of Evanston has advanced \$639,000 to the corporation under the notes due on or before November 30, 2034. The notes bear no interest. However, the City is entitled to a certain net sales consideration upon the sale or exchange of the mortgaged property, as well as a prorated portion of the investment income earned on the funds not loaned to mortgagees.

The financial institutions' funds are advanced under Non-Recourse Collateral Trust Notes. The notes are payable on or before November 30, 2029. Interest accrues based on interest earned from the mortgage notes receivable and investments, less expenses. Interest is paid semiannually to the holders on a pro-rata basis based on the amount of each note held to the total outstanding notes.

The audited financial statements of Evanston Housing Corporation for the year ended December 31, 2012 are summarized as follows:

Statement of Financial Position as of December 31, 2012:

Cash and cash equivalents	\$ 930,603
Mortgage loans receivable	<u>2,245,479</u>
Total assets	<u>3,176,082</u>
Payables and accrued expenses	112,082
Notes payable	<u>3,064,000</u>
Total liabilities	<u>3,176,082</u>
Net Position	\$ <u>-</u>

(Note: December 31, 2012 is the most current information available.)



**CITY OF EVANSTON, ILLINOIS**

**Notes to the Financial Statements**

For the Fiscal Year ended December 31, 2013

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**NOTE 14. JOINT VENTURES – Continued**

**B. Evanston Housing Corporation - Continued**

Statement of Activities for the Year Ended December 31, 2012:

Total revenues	\$ 109,742
Total operating expenses	<u>(109,742)</u>
Excess of revenues over expenses	<u>\$ -</u>

(Note: December 31, 2012 is the most current information available.)

The City provides the Corporation with office space and staff support on a cost reimbursement basis. Complete financial statements for the Corporation can be obtained in the City's Community Development Department from the Assistant Director, Housing Rehabilitation and Property Standards.

**NOTE 15. DEFERRED COMPENSATION PLAN**

The City of Evanston offers its elected officials and employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan is administered by the ICMA Retirement Corporation. The plan, available to all City employees, permits them to defer a portion of their current salary to all future years. The deferred compensation is not available to the participants until termination, retirement, death, or an unforeseeable emergency occurs.

The assets of the plan are held in Trust (ICMA Retirement Corporation Deferred Compensation Plan and Trust), with the City serving as trustee, for the exclusive benefit of the plan participants and their beneficiaries. The assets cannot be diverted to any other purpose. The City's beneficial ownership of plan assets held in the ICMA Retirement Trust is held for the further exclusive benefit of the plan participants and their beneficiaries.

The City and its agent have no liability for losses under the plan, but do have the duty of care that would be required of an ordinary prudent investor.

Plan balance at December 31, 2013	<u>\$ 45,286,080</u>
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**CITY OF EVANSTON, ILLINOIS**

**Notes to the Financial Statements**

For the Fiscal Year ended December 31, 2013

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**NOTE 16. DEFINED BENEFIT PENSION PLANS**

The City maintains two separate single-employer retirement plans established by state statute for the City's police officers and firefighters. The City also participates in the Illinois Municipal Retirement Fund (IMRF), a statewide multiple-employer public employee retirement system which acts as investment and administrative agent. The IMRF plan covers substantially all of the City's employees other than police officers and firefighters.

The City created a special revenue fund, the Employer Pension Contribution Fund, to accommodate the Police and Fire pension accounting requirements. This fund recognizes the appropriate tax revenues for the City on behalf of the Pension Trust Funds and contributes those amounts into the Pension Trust Funds as the employer contribution.

The Employer Pension Contribution Fund is a special revenue fund and uses the modified accrual basis of accounting. The tax revenues are recognized when measurable and available. The expenditures are recorded when the liability is incurred.

**Illinois Municipal Retirement Fund**

**A. Plan Description**

The City and Township's defined benefit pension plan, IMRF, provides retirement, disability, annual cost of living adjustments, and death benefits to plan members and beneficiaries. IMRF is an agent multiple employer pension plan that acts as a common investment and administrative agent for local governments and school districts in Illinois. The Illinois Pension Code establishes the benefit provisions of the plan that can only be amended by the Illinois General Assembly. IMRF issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the Illinois Municipal Retirement Fund, 2211 York Road, Suite 500, Oak Brook, Illinois 60523, or by accessing their website at [www.imrf.org/pubs/pubs\\_homepage.htm](http://www.imrf.org/pubs/pubs_homepage.htm).

Employees participating in IMRF are required to contribute 4.50% of their annual covered salary. The member rate is established by state statute. The City and Township are required to contribute at an actuarially determined rate. The City's rate as of December 2013 was 11.33% of payroll. The employer contribution requirements are established and may be amended by the IMRF Board of Trustees.

In 2010, the Illinois Legislature passed Senate Bill 1946. The Bill modifies benefits for most Illinois public pension systems, including IMRF's regular plans. The provisions of the bill became effective January 1, 2011. The bill created a second tier for the employees starting on or after January 1, 2011. As a part of this bill, the vesting time for the second tier employees has been increased from eight to ten years. The bill also increased the age to receive full retirement benefits to 67 and reduced retirement benefit to age 62 from the current age of 60 and 55 respectively for each type of benefit. The final rate of earnings used to calculate a pension is also capped at \$106,800 as a part of pension reforms.

**CITY OF EVANSTON, ILLINOIS**

**Notes to the Financial Statements**

For the Fiscal Year ended December 31, 2013

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**NOTE 16. DEFINED BENEFIT PENSION PLANS - Continued**

**Illinois Municipal Retirement Fund - Continued**

**B. Funding Status and Progress**

The City's gross total payroll for the fiscal year ended December 31, 2013 was \$64,641,681. Of this amount, \$33,484,947 in payroll earnings were reported to and covered by the IMRF system. The Township's total payroll for the year ended December 31, 2012 was \$348,889 which were reported to and covered by the IMRF plan.

As of December 31, 2013, the most recent actuarial valuation date, the City's Regular plan was 85.47% funded. The City's actuarial accrued liability for benefits was \$92,222,299 and the actuarial value of assets was \$78,823,691 resulting in an underfunded actuarial accrued liability (UAAL) of \$13,398,608. The covered payroll for the fiscal year ended December 31, 2013 (annual payroll of active employees covered by the plan) was \$33,484,947 and the ratio of the UAAL to the covered payroll was 40%.

As of December 31, 2013, the most recent valuation date, the Township's Regular plan was 106.73% funded. The Township's actuarial accrued liability for benefits was \$470,077 and the actuarial value of assets was \$501,694 resulting in an overfunded actuarial accrued liability (UAAL) of \$31,617. The covered payroll for calendar year 2013 (annual payroll of active employees covered by the plan) was \$325,630. Because the plan is overfunded, there is no ratio of the UAAL to the covered payroll.

The schedule of funding progress for the postemployment defined benefit plan immediately following the notes to the financial statements presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing relative to the actuarial accrued liability for benefits over time.

**C. Annual Pension Cost**

For December 31, 2013, the employer's actual contributions for pension cost were \$3,791,876. Actual required contributions for calendar year 2013 was \$4,085,164. The required contribution was determined as part of the December 31, 2011 actuarial valuation using the entry age actuarial cost method. The actuarial assumptions included (a) 7.5% investment rate of return (net of administrative expenses), (b) projected salary increases of 4% a year, attributable to inflation, (c) additional projected salary increases ranging from 0.4% to 10% per year, depending on age and service, attributable to seniority/merit, and (d) post-retirement benefit increases of 3% annually. The actuarial value of IMRF assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments over a five-year period with a 20% corridor.

Three-Year Trend Information for IMRF - City

Actuarial Valuation Date	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
12/31/13	\$ 4,085,164	93%	\$ 4,003,630
12/31/12	3,863,934	88%	3,710,342
12/31/11	4,811,504	63%	3,247,991

**CITY OF EVANSTON, ILLINOIS**

**Notes to the Financial Statements**

For the Fiscal Year ended December 31, 2013

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**NOTE 16. DEFINED BENEFIT PENSION PLANS – Continued**

**Illinois Municipal Retirement Fund - Continued**

**C. Annual Pension Cost - Continued**

The City's annual pension cost and net pension obligation for IMRF pension plan as of December 31, 2013 are as follows:

	<u>IMRF</u>
Annual required contribution	\$ 4,085,164
Interest on net pension obligation	-
Adjustment to annual required contribution	<u>-</u>
Annual pension cost	4,085,164
Contributions made	<u>(3,791,876)</u>
Increase (decrease) in net pension obligation	293,288
Net pension obligation at January 1, 2013	<u>3,710,342</u>
Net pension obligation at December 31, 2013	<u>\$ 4,003,630</u>

Note: Interest on Net Pension Obligation (NPO) and adjustment to Annual Required Contribution (ARC) are considered immaterial and hence, not computed.

**CITY OF EVANSTON, ILLINOIS**

**Notes to the Financial Statements**

For the Fiscal Year ended December 31, 2013

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**NOTE 16. DEFINED BENEFIT PENSION PLANS – Continued**

**Illinois Municipal Retirement Fund - Continued**

**C. Annual Pension Cost - Continued**

For December 31, 2013, the Township's annual pension cost of \$28,037 was equal to the Township's required and actual contributions. The required contribution was determined as part of the December 31, 2011 actuarial valuation using the entry age actuarial cost method. The actuarial assumptions included (a) 7.5% investment rate of return (net of administrative expenses), (b) projected salary increases of 4% a year, attributable to inflation, (c) additional projected salary increases ranging from 0.4% to 10% per year depending on age and service, attributable to seniority/merit, and (d) post-retirement benefit increases of 3% annually. The actuarial value of IMRF assets was determined using techniques that spread the effects of short-term volatility in the market value of investments over a five-year period with a 20% corridor.

Three-Year Trend Information for IMRF - Township

Actuarial Valuation <u>Date</u>	Annual Pension Cost (APC)	Percentage of APC <u>Contributed</u>	Net Pension <u>Obligation</u>
12/31/13	\$ 28,037	100%	\$ -
12/31/12	29,342	100%	-
12/31/11	25,655	100%	-

**Police and Firefighters' Pension Plans**

**D. Plan Descriptions**

The Police Pension Plan and Firefighters' Pension Plan are contributory, defined benefit public employee retirement plans administered by the City and a Board of Trustees for each Fund. All sworn City police officers and firefighters are participants in the plans. The plans do not issue stand-alone financial reports and they are not included in the report of a public employee retirement system or another entity. The City's payroll for police and firefighter employees covered by the plans for the fiscal year ended December 31, 2013 was \$12,499,171 and \$9,201,692 respectively.

The schedule of funding progress for the postemployment defined benefit plan immediately following the notes to the financial statements presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing relative to the actuarial accrued liability for benefits over time.

**CITY OF EVANSTON, ILLINOIS**

**Notes to the Financial Statements**

For the Fiscal Year ended December 31, 2013

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**NOTE 16. DEFINED BENEFIT PENSION PLANS – Continued**

**Police and Firefighters' Pension Plans - Continued**

**D. Plan Descriptions - Continued**

Participation in the plans at December 31, 2013 was:

	<u>Police</u>	<u>Firefighters'</u>
Retirees, disabled participants, and beneficiaries of deceased retirees currently receiving benefits	172	144
Active plan members	<u>163</u>	<u>106</u>
Total	<u>335</u>	<u>250</u>

Any police officer or firefighter who has creditable service of 20 years or more, has reached age 50, and is no longer in the service, is entitled to a yearly pension equal to 50% of the salary attached to the rank held on the last day of service or for one year prior to the last day, whichever is greater, in the case of a police officer, and at the date of retirement in the case of a firefighter. The police officer pension is increased by 2.5% of such salary for each additional year of service over 20 years to a maximum limit of 75% of such salary. The firefighter pension is increased by 1/12 of 2.5% of such monthly salary for each additional month over 20 years of service through 30 years of service to a maximum of 75% of such monthly salary.

	<u>Police</u> <u>Pension Fund</u>	<u>Firefighters'</u> <u>Pension Fund</u>
Actuarial assumptions:		
Investment rate of return	6.75%	6.75%
Projected salary increases	4.00%	4.00%
Attributable to inflation	2.50%	2.50%
Cost of Living Increases	3.00%	3.00%

**CITY OF EVANSTON, ILLINOIS**

**Notes to the Financial Statements**

For the Fiscal Year ended December 31, 2013

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**NOTE 16. DEFINED BENEFIT PENSION PLANS - Continued**

**Police and Firefighters' Pension Plans - Continued**

**D. Plan Descriptions – Continued**

A police officer or firefighter who retires or is separated from service after accumulating at least eight years for a police officer and ten years for a firefighter, but less than 20 years of creditable service, will receive a monthly pension after attaining the age of 60 based on the salary attached to the rank held on the last day of service or for one year prior to the last day, whichever is greater, in the case of a police officer and at the date of retirement or separation in the case of a firefighter. The amount of the benefit is a tabular percentage of such salary ranging from 15% for 10 years of service to 50% for 20 years of service. These benefit provisions and all other requirements are established by state statute.

In 2010, the Illinois Legislature passed Senate Bill 1946. This bill modifies benefits for most Illinois public pension systems, including Police and Fire Pension plans. The provisions of the bill became effective January 1, 2011. The bill created a second tier for the employees starting on or after January 1, 2011. As a part of the bill, the vesting time for the second tier police employees has been increased from eight to ten years. The bill also increased the retirement age from 50 to 55. Accordingly, a police officer or firefighter from the second tier who retires or is separated from service after accumulating at least ten years for a police officer or a firefighter, but less than 20 years of creditable service, will receive a monthly pension after attaining the age of 60 based on the salary attached to the rank held on the last day of service or for one year prior to the last day, whichever is greater, in the case of a police officer and at the date of retirement or separation in the case of a firefighter. The amount of the benefit is a tabular percentage of such salary ranging from 15% for 10 years of service to 50% for 20 years of service. These benefit provisions and all other requirements are established by state statute.

**E. Summary of Significant Accounting Policies**

**Basis of Accounting**

The Police and Firefighters' Pension Fund financial statements are prepared using the accrual basis of accounting. Plan member contributions are recognized when due. Employer contributions to each plan are recognized when due, pursuant to formal commitment as well as statutory or contractual requirements. Benefits and refunds are recognized when due and payable in accordance with the terms of each plan. Administrative cost for Police and Firefighters are financed by investment income.

**Method Used to Value Investments**

Investments are reported at fair value. Short-term investments are reported at cost, which approximates fair value. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates. Investments that do not have an established market are reported at estimated fair value.

**CITY OF EVANSTON, ILLINOIS**

**Notes to the Financial Statements**

For the Fiscal Year ended December 31, 2013

**NOTE 16. DEFINED BENEFIT PENSION PLANS - Continued**

**Police and Firefighters' Pension Plans – Continued**

**F. Contributions and Reserves**

Employee contribution rates are established by statute at 9.91% of a police officer’s salary and 9.46% of a firefighter’s salary. Accumulated employee contributions for tier one employees are refunded if an employee leaves covered employment or dies before 8 years of credited service in the case of police officers and 10 years in the case of firefighters. But, in case of tier two employees who have started participating in the pension plans on or after January 1, 2011, contributions will be refunded if an employees leaves covered employment or dies before 10 years of credited service.

For employer contributions, the City’s budget policy is to fund pension plans at the funding level recommended annually by the actuary. The General Fund is used to liquidate the net pension obligation.

The City’s annual pension cost and net pension obligation to the Police and Firefighters' pension funds were obtained from the funds' most recent actuarial valuations as of December 31, 2013 are as follows:

	<u>Police</u>	<u>Firefighters'</u>
Annual required contribution	\$ 8,091,526	\$ 6,028,078
Interest on net pension obligation	836,311	535,000
Adjustment to annual required contribution	<u>(862,536)</u>	<u>(551,777)</u>
Annual pension cost	8,065,301	6,011,301
Contributions made	<u>(8,463,224)</u>	<u>(6,378,763)</u>
Increase (decrease) in net pension obligation	(397,923)	(367,462)
Net pension obligation at January 1, 2013	<u>12,389,793</u>	<u>7,925,926</u>
Net pension obligation at December 31, 2013	<u>\$ 11,991,870</u>	<u>\$ 7,558,464</u>

The difference between the total amount funded and the amount to be funded, as actuarially determined, is recorded as the net pension obligation in the general long-term debt schedule. The total pension liability calculated as the net pension liability dates forward from fiscal year 1987-88.



**CITY OF EVANSTON, ILLINOIS**

**Notes to the Financial Statements**

For the Fiscal Year ended December 31, 2013

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**NOTE 16. DEFINED BENEFIT PENSION PLANS - Continued**

**Police and Firefighters' Pension Plans – Continued**

**G. Concentration of Investments**

The Police Pension Trust Fund had no significant investments (other than U.S. Treasuries and Corporate Bonds) in any one organization that represented 5% or more of net position available for benefits. The only exception to the aforementioned are investments in FNMA (8%).

The Firefighters' Pension Trust Fund had no significant investments (other than U.S. Treasuries and Corporate Bonds) in any one organization that represented 5% or more of net position available for benefits.

**H. Five-Year Trend Information – Pension Trust Funds**

	<u>Fiscal Period Ended</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
Police	12/31/13	\$ 8,065,301	104.93%	\$ 11,991,870
	12/31/12	7,610,323	113.71%	12,389,793
	12/31/11 (10 months)	6,283,638	85.40%	13,433,187
	2/28/11	8,933,767	91.65%	12,515,848
	2/28/10	7,914,901	104.71%	10,836,432
Firefighters'	12/31/13	\$ 6,011,301	106.11%	\$ 7,558,464
	12/31/12	5,751,374	111.80%	7,925,926
	12/31/11 (10 months)	4,506,075	96.92%	8,604,479
	2/28/11	7,216,303	92.18%	8,465,557
	2/28/10	6,441,073	102.37%	7,186,892
	2/28/09	5,928,290	115.77%	6,814,595

**CITY OF EVANSTON, ILLINOIS**

**Notes to the Financial Statements**

For the Fiscal Year ended December 31, 2013

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**NOTE 16. DEFINED BENEFIT PENSION PLANS - Continued**

**Police and Firefighters' Pension Plans – Continued**

**I. Pensions - Detailed Statement of Net Position**

	<u>Firefighters' Pension</u>	<u>Police Pension</u>	<u>Total Pension</u>
Assets			
Cash and short-term investments	\$ 2,116,371	\$ 3,123,126	\$ 5,239,497
Receivables			
Accrued interest	114,180	410,188	524,368
Due from city funds	<u>871,814</u>	<u>1,171,509</u>	<u>2,043,323</u>
Total Receivables	<u>985,994</u>	<u>1,581,697</u>	<u>2,567,691</u>
Investments, at fair value			
U.S. Government and agency obligations	8,806,881	25,168,929	33,975,810
Corporate Bonds	8,708,175	14,440,384	23,148,559
Common Stock	12,705,516	16,385,160	29,090,676
Mutual funds	<u>31,706,990</u>	<u>30,063,847</u>	<u>61,770,837</u>
Total Investments	<u>61,927,562</u>	<u>86,058,320</u>	<u>147,985,882</u>
Total Assets	<u>65,029,927</u>	<u>90,763,143</u>	<u>155,793,070</u>
Liabilities			
Vouchers payable	<u>4,986</u>	<u>-</u>	<u>4,986</u>
Net position held in trust for pension benefits	<u>\$ 65,024,941</u>	<u>\$ 90,763,143</u>	<u>\$ 155,788,084</u>

**CITY OF EVANSTON, ILLINOIS**

**Notes to the Financial Statements**

For the Fiscal Year ended December 31, 2013

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**NOTE 16. DEFINED BENEFIT PENSION PLANS - Continued**

**Police and Firefighters' Pension Plans – Continued**

**K. Pensions - Actuarial Valuations**

The information presented in the Notes to the Financial Statements was determined as part of the actuarial valuations at the dates specified. Additional information as of the latest actuarial valuation follows:

	<u>Firefighters' Pension Fund</u>	<u>Police Pension Fund</u>
Valuation date	January 1, 2013	January 1, 2013
Actuarial cost method	Entry-Age Normal	Entry-Age Normal
Amortization method	Level percent Closed	Level percent Closed
Remaining amortization period	20 Years , 6 months	20 Years , 6 months
Actuarial valuation method	5-year smoothed mkt.	5-year smoothed mkt.

**L. Funding Status and Progress**

As of December 31, 2013, the City's Police Pension plan was 46.45% funded. The City's actuarial accrued liability for benefits was \$169,353,377 and the actuarial value of assets was \$78,658,837 resulting in an underfunded actuarial accrued liability (UAAL) of \$90,694,540. The covered payroll for the fiscal year ending December 31, 2013 (annual payroll of active employees covered by the Police Pension Plan) was \$12,499,170 and the ratio of the UAAL to the covered payroll was 725.60%.

As of December 31, 2013, the City's Fire Pension plan was 45.77% funded. The City's actuarial accrued liability for benefits was \$127,764,750 and the actuarial value of assets was \$58,476,156 resulting in an underfunded actuarial accrued liability (UAAL) of \$69,288,594. The covered payroll for the fiscal year ending December 31, 2013 (annual payroll of active employees covered by the Fire Pension Plan) was \$9,201,691 and the ratio of the UAAL to the covered payroll was 753.00%.

**CITY OF EVANSTON, ILLINOIS**

**Notes to the Financial Statements**

For the Fiscal Year ended December 31, 2013

**NOTE 16. DEFINED BENEFIT PENSION PLANS - Continued**

**Police and Firefighters' Pension Plans – Continued**

**J. Pensions - Detailed Statement of Changes in Net Position**

	<u>Firefighters' Pension</u>	<u>Police Pension</u>	<u>Total Pension</u>
Additions			
Contributions			
Employer	\$ 6,378,763	\$ 8,463,224	\$ 14,841,987
Plan members	975,932	1,759,216	2,735,148
Other-Donations, Legal Sett., Surplus Sales	<u>150</u>	<u>-</u>	<u>150</u>
Total Contributions	<u>7,354,845</u>	<u>10,222,440</u>	<u>17,577,285</u>
Investment income			
Net appreciation in fair value of investments	5,233,195	6,375,354	11,608,549
Interest	<u>1,564,893</u>	<u>3,277,547</u>	<u>4,842,440</u>
Total investment income	6,798,088	9,652,901	16,450,989
Less investment expense	<u>211,375</u>	<u>215,215</u>	<u>426,590</u>
Net investment income	<u>6,586,713</u>	<u>9,437,686</u>	<u>16,024,399</u>
Total Additions	<u>13,941,558</u>	<u>19,660,126</u>	<u>33,601,684</u>
Deductions			
Benefits	7,320,685	9,328,379	16,649,064
Refunds of contributions	-	109,252	109,252
Administrative expense	<u>59,848</u>	<u>49,313</u>	<u>109,161</u>
Total Deductions	<u>7,380,533</u>	<u>9,486,944</u>	<u>16,867,477</u>
Net increase	6,561,025	10,173,182	16,734,207
Net position held in trust for pension benefits			
Beginning	58,463,916	80,589,961	139,053,877
Ending	<u>\$ 65,024,941</u>	<u>\$ 90,763,143</u>	<u>\$ 155,788,084</u>

## CITY OF EVANSTON, ILLINOIS

### Notes to the Financial Statements

For the Fiscal Year ended December 31, 2013

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#### NOTE 17. EVANSTON LIBRARY COMPONENT UNIT

##### A. Types of Accounts and Securities

Illinois statutes authorize the Library to invest in obligations of the U.S. Treasury, in Government Sponsored Enterprises (GSE) such as Federal Home Loan Mortgage Corporation (FHLMC), Federal Home Loan Bank (FHLB), and Fannie Mae (FNMA); Bankers Acceptances as well as commercial paper rated only in the highest tier; Repurchase agreements of the highest grade; Collateralized Certificates of Deposit issued by FDIC insured financial institutions, money market mutual funds with portfolios limited to securities guaranteed by the United States, the Illinois Metropolitan Investment Fund (IMET), and the Illinois Funds.

Library investment consists of Equities, ETFs, Money Market Funds, Mutual Funds, Corporate Bonds, and US Treasuries. Investments are reported at fair value, except that non-negotiable certificate of deposits are stated at cost. The Library has a formal investment policy adopted by its governing board to handle endowment funds. The funds will be invested and administered by a three member committee. It is the general policy of the Library to invest its funds in a manner which will provide the highest investment return with the maximum security while meeting the daily cash flow demands of the Library and conforming to all state and local statutes governing the investment of public funds using "prudent person" standard for managing the overall portfolio. It may be noted though that the Library has investments in equities which is not permissible under the state statutes.

Interest Rate Risk is the risk that changes in interest rates will adversely affect the fair value of an investment . The exposure to interest rate risk can be limited by structuring the portfolio to provide liquidity for cash requirements for ongoing operations in shorter term securities.

Credit Risk is the risk that the issuer of the debt security will not pay its par value upon maturity. The Library investment policy has several guidelines to minimize the potential losses on individual investment by diversifying the investment portfolio, not permitting the investment in certain high risk securities .State law limits investments in commercial paper, corporate bonds, and mutual bonds funds to the top two ratings issued by nationally recognized statistical rating organizations. Illinois Funds and IMET are an investment pools managed by the State of Illinois, Office of the Treasurer, and a Board of Trustees, respectively which allows governments within the State to pool their funds for investment purposes. They are not registered with the SEC as an investment company, but do operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. The investments in the securities of the U.S. government agencies were all rated triple A or Aaa by the Standard & Poor's and by Moody's Investor's Services. The investments in Illinois Funds and IMET are valued at the fund's share price, the price for which the investments could be sold.

*Custodial Credit Risk.* For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investment or collateral securities that are in the possession of an outside party. Illinois Funds are not subject to custodial credit risk.

Concentration of Credit Risk is the risk that the Library has a high percentage of its investments invested in one type of investments. Currently, Library has diversified its investments in various type sof investments. The Library investment policy provides the high/low limits for various type of investments like Equity, Fixed Income Securities and Cash.

*Custodial Credit Risk.* For a deposit, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Library will not be able to recover the value of its deposit or collateral securities that are in the possession of an outside party.

**CITY OF EVANSTON, ILLINOIS**

**Notes to the Financial Statements**

For the Fiscal Year ended December 31, 2013

**NOTE 17. EVANSTON LIBRARY COMPONENT UNIT - Continued**

**B. Reconciliation of Cash and Investments**

Cash and Equivalents	\$ 1,270,500
Investments	<u>3,117,123</u>
Total per Statement of Position	<u>\$ 4,387,623</u>

Cash in Bank	\$ 619,342
Vanguard Money Market	651,158
Vanguard Equity Mutual Funds	<u>3,117,123</u>
Total Cash and Investments	<u>\$ 4,387,623</u>

**C Summary of Receivables**

Receivables:	
Property taxes	\$ 5,780,275
Accrued interest	7,524
Other	<u>28,438</u>
Net receivables	<u>\$ 5,816,237</u>

**D Capital Assets Activity**

	Beginning	Additions	Deletions	Ending
Capital assets, not being depreciated:				
Land	\$ 311,380	-	-	311,380
Capital assets, being depreciated/amortized:				
Buildings and improvements	18,551,582	-	-	18,551,582
Office equipment and furniture	2,285,009	-	-	2,285,009
Infrastructure	230,006	-	-	230,006
Library collections	8,011,680	776,186	-	8,787,866
Capitalized leases	266,191	-	-	266,191
Total capital assets being depreciated/amortized	<u>29,344,468</u>	<u>776,186</u>	<u>-</u>	<u>30,120,654</u>
Less accumulated depreciation/amortization for:				
Buildings and improvements	6,626,682	372,050	-	6,998,732
Office equipment and furniture	2,285,009	-	-	2,285,009
Infrastructure	51,113	15,334	-	66,447
Library collections	6,095,994	644,759	-	6,740,753
Capitalized leases	266,191	-	-	266,191
Total accumulated depreciation/amortization	<u>15,324,989</u>	<u>1,032,143</u>	<u>-</u>	<u>16,357,132</u>
Total capital assets being depreciated/amortized, net	<u>14,019,479</u>	<u>(255,957)</u>	<u>-</u>	<u>13,763,522</u>
Library activities capital assets, net	<u>\$ 14,330,859</u>	<u>(255,957)</u>	<u>-</u>	<u>14,074,902</u>

CITY OF EVANSTON, ILLINOIS

Notes to the Financial Statements

For the Fiscal Year ended December 31, 2013

NOTE 17. EVANSTON LIBRARY COMPONENT UNIT - Continued

E Long-Term Debt

	Interest Rate	Final Maturity Date	Balance 12/31/2012	Issued	Payments	Balance 12/31/2013	Due Within One Year
General Obligations Debt							
Series 2004	2.00%-5.00%	12/1/2023	\$ 313,206	-	313,206	-	-
Series 2005	3.25%-5.00%	12/1/2025	564,464	-	564,464	-	-
Series 2007	4.00%-5.00%	12/1/2016	1,356,901	-	-	1,356,901	200,291
Series 2008D	3.25%-5.00%	12/1/2016	532,560	-	-	532,560	344,400
Series 2013B	2.00%-3.00%	12/1/2025	-	877,667	-	877,667	97,120
			<u>2,767,131</u>	<u>877,667</u>	<u>877,670</u>	<u>2,767,128</u>	<u>641,811</u>
OPEB liability			26,028	14,626	-	40,654	-
Compensated absences payable- City			404,875	48,218	-	453,093	172,175
IMRF Pension contributions			279,569	313,741	291,216	302,094	-
Total Long-Term Debt			<u>\$ 3,477,603</u>	<u>1,254,252</u>	<u>1,168,886</u>	<u>3,562,969</u>	<u>813,986</u>

The following schedule illustrates the annual debt service requirements to maturity for Library General Obligation Bonds.

Year Ending December 31	Principal	Interest
2014	\$ 641,810	\$ 106,709
2015	481,936	80,804
2016	323,241	62,455
2017	274,011	51,943
2018	166,831	42,907
2019-2023	491,207	145,169
2024-2028	388,092	44,329
Total	<u>\$ 2,767,128</u>	<u>\$ 534,316</u>

NOTE 18. RESTATEMENT OF NET POSITION

The City's net position for Governmental Activities for the period ending December 31, 2012 has been restated to present Library as a discreet component unit.

	Balance 12/31/2012 before restatement	Library Reclassification	Balance 12/31/2012 (as restated)
Current and Other Assets	\$ 117,978,076	8,439,177	109,538,899
Capital Assets	175,482,215	14,330,859	161,151,356
Total Assets	<u>293,460,291</u>	<u>22,770,036</u>	<u>270,690,255</u>
Long-Term Liabilities	166,117,738	3,477,603	162,640,135
Other Liabilities	13,418,063	144,997	13,273,066
Total Liabilities	<u>179,535,801</u>	<u>3,622,600</u>	<u>175,913,201</u>
Deferred Inflows of Resources	<u>45,794,223</u>	<u>3,715,074</u>	<u>42,079,149</u>
Net Investment in Capital Assets	60,104,623	12,441,398	47,663,225
Restricted	32,635,909	2,990,964	29,644,945
Unrestricted (Deficit)	<u>(24,610,265)</u>	<u>-</u>	<u>(24,610,265)</u>
Total Net Position	<u>\$ 68,130,267</u>	<u>15,432,362</u>	<u>52,697,905</u>
	Balance 12/31/2012 before restatement	Library Reclassification	Balance 12/31/2012 (as restated)
Nonmajor Governmental Funds	<u>\$ 34,694,413</u>	<u>4,579,106</u>	<u>30,115,307</u>

## REQUIRED SUPPLEMENTARY INFORMATION



**CITY OF EVANSTON, ILLINOIS**

Firefighters' Pension Fund, Police Pension Fund, Illinois Municipal Retirement Fund and Post Employment Benefits

Schedules of Funding Progress  
 Required Supplementary Information  
 December 31, 2013

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Projected Unit Credit (b)	Unfunded AAL (UAAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAAL as a Percentage of Covered Payroll Under/(Over) ((b-a)/c)
<b>Firefighters' Pension</b>						
1/1/2013	\$ 58,476,156	\$ 127,764,750	\$ 69,288,594	45.77%	\$ 9,201,691	753.00%
1/1/2012	55,082,975	121,693,417	66,610,442	45.26%	8,543,980	779.62%
3/1/2011	54,214,525	119,011,406	64,796,881	45.55%	7,736,550	837.54%
3/1/2010	52,021,778	129,493,139	77,471,361	40.17%	9,133,000	848.26%
3/1/2009	49,410,755	119,852,896	70,442,141	41.23%	9,242,000	762.20%
3/1/2008	47,006,917	111,696,236	64,689,319	42.08%	8,999,000	718.85%
3/1/2007	43,742,297	106,361,853	62,619,556	41.13%	8,402,000	745.29%
3/1/2006	40,653,428	84,413,071	43,759,643	48.16%	8,150,000	536.93%
<b>Police Pension</b>						
1/1/2013	\$ 78,658,837	\$ 169,353,377	\$ 90,694,540	46.45%	\$ 12,499,170	725.60%
1/1/2012	72,266,706	158,457,577	86,190,871	45.61%	14,018,048	614.86%
3/1/2011	71,478,229	156,201,256	84,723,027	45.76%	11,502,613	736.55%
3/1/2010	68,998,555	166,228,478	97,229,923	41.51%	13,117,000	741.25%
3/1/2009	66,514,296	154,971,310	88,457,014	42.92%	12,632,549	700.23%
3/1/2008	64,355,651	145,458,945	81,103,294	44.24%	12,142,000	667.96%
3/1/2007	61,795,438	139,371,086	77,575,648	44.34%	11,522,000	673.28%
3/1/2006	58,400,853	112,448,880	54,048,027	51.94%	11,195,000	482.79%
<b>Illinois Municipal Retirement Fund (City)</b>						
12/31/2013	\$ 78,823,691	\$ 92,222,299	\$ 13,398,608	85.47%	\$ 33,484,947	40.01%
12/31/2012	69,218,573	89,116,813	19,898,240	77.67%	33,025,074	60.25%
12/31/2011	65,199,440	86,311,655	21,112,215	75.54%	32,270,312	65.42%
12/31/2010	61,673,349	80,396,511	18,723,162	76.71%	32,163,415	58.21%
12/31/2009	50,465,714	79,011,161	28,545,447	63.87%	33,485,370	85.25%
12/31/2008	44,075,583	72,888,719	28,813,136	60.47%	34,189,216	84.28%
12/31/2007	88,101,956	84,705,898	(3,396,058)	104.01%	34,496,585	(9.84%)
12/31/2006	87,758,900	82,928,874	(4,830,026)	105.82%	32,625,369	(14.80%)
12/31/2005	82,368,849	79,384,403	(2,984,446)	103.76%	31,403,514	(9.50%)
12/31/2004	77,206,655	74,129,924	(3,076,731)	104.15%	29,568,219	(10.41%)
<b>Illinois Municipal Retirement Fund (Township)</b>						
12/31/2013	\$ 501,694	\$ 470,077	\$ (31,617)	106.73%	\$ 325,630	(9.71%)
12/31/2012	393,759	495,178	101,419	79.52%	348,889	29.07%
12/31/2011	291,690	279,973	(11,717)	104.19%	358,316	(3.27%)
12/31/2010	331,048	305,956	(25,092)	108.20%	334,330	(7.51%)
12/31/2009	476,660	380,918	(95,742)	125.13%	330,215	(28.99%)
12/31/2008	405,691	317,964	(87,727)	127.59%	261,152	(33.59%)
12/31/2007	612,352	360,059	(252,293)	170.07%	338,122	(74.62%)
12/31/2006	514,875	321,366	(193,509)	160.21%	344,707	(56.14%)
12/31/2005	413,112	253,244	(159,868)	163.13%	314,044	(50.91%)
12/31/2004	612,303	450,398	(161,905)	135.95%	325,805	(49.69%)
<b>Post Employment Benefits other than Pension</b>						
12/31/2013	\$ -	\$ 15,870,326	\$ 15,870,326	-	\$ 45,455,695	34.91%
12/31/2012	-	17,294,689	17,294,689	-	49,784,920	34.74%
12/31/2011	-	16,994,544	16,994,544	-	48,101,372	35.33%
3/1/2010	-	12,259,348	12,259,348	-	51,896,579	23.62%
3/1/2009	-	11,762,298	11,762,298	-	50,141,622	23.46%
3/1/2008	-	7,634,991	7,634,991	-	50,230,393	15.20%
3/1/2007	-	7,254,074	7,254,074	-	48,531,780	14.95%

Note: See notes to Required Supplementary Information and Auditors' Report.

**CITY OF EVANSTON, ILLINOIS**

## Firefighters and Police Pension Funds

Schedules of Employer Contribution  
Required Supplementary Information  
December 31, 2013

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Tax Levy Year	Firefighters' Pension Fund			Police Pension Fund		
	Annual Required Contribution	City's Contribution	Percentage Contributed	Annual Required Contribution	City's Contribution	Percentage Contributed
2012	\$ 6,028,078	\$ 6,378,763	105.82%	\$ 8,091,526	\$ 8,463,224	104.59%
2012	5,729,977	6,429,927	112.22%	7,576,919	8,653,717	114.21%
2011	4,468,888	4,367,153	97.72%	6,232,638	5,366,299	86.10%
2010	7,148,759	5,937,637	83.06%	8,831,924	7,254,351	82.14%
2009	5,828,112	5,937,637	101.88%	7,081,620	7,254,351	102.44%
2008	5,486,699	5,217,187	95.09%	6,659,960	6,345,667	95.28%
2007	4,174,271	6,139,178	147.07%	4,636,539	7,717,650	166.45%
2006	3,921,530	3,867,153	98.61%	4,301,359	4,217,457	98.05%
2005	3,317,158	3,459,626	104.29%	4,071,765	4,295,601	105.50%
2004	3,041,911	3,398,340	111.72%	4,274,043	4,271,102	99.93%
2003	2,685,046	2,690,742	100.21%	3,505,934	3,522,862	100.48%

Note: See notes to Required Supplementary Information and Auditors' Report.

**CITY OF EVANSTON, ILLINOIS**

General Fund

Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual (Budgetary Basis)

Required Supplementary Information

For the Fiscal Year ended December 31, 2013

	Original & Final Budget	Actual	Variance
<b>Revenues</b>			
Taxes	\$ 37,314,938	\$ 38,328,602	\$ 1,013,664
Licenses and permits	9,413,392	10,617,414	1,204,022
Intergovernmental	16,458,443	18,382,644	1,924,201
Charges for services	7,773,730	7,722,937	(50,793)
Fines	4,366,022	3,448,523	(917,499)
Investment income	6,000	26,907	20,907
Miscellaneous	2,306,837	1,418,949	(887,888)
Total Revenues	<u>77,639,362</u>	<u>79,945,976</u>	<u>2,306,614</u>
<b>Expenditures</b>			
General management and support	14,860,206	14,147,518	712,688
Public safety	39,293,186	40,650,660	(1,357,474)
Public works	9,660,554	8,797,497	863,057
Health and human resource development	3,276,062	3,601,469	(325,407)
Recreation and cultural opportunities	14,709,152	14,744,293	(35,141)
Housing and economic development	2,721,262	2,536,209	185,053
Total Expenditures	<u>84,520,422</u>	<u>84,477,646</u>	<u>42,776</u>
(Deficiency) of Revenues (under) Expenditures	<u>(6,881,060)</u>	<u>(4,531,670)</u>	<u>2,349,390</u>
<b>Other Financing Sources (Uses)</b>			
Operating transfers in (out)			
West Evanston TIF	60,000	60,000	-
Motor Fuel Tax Fund	833,000	833,000	-
Economic Development Fund	452,707	452,707	-
Housing Fund	23,990	23,990	-
Washington National TIF Debt Service Fund	331,000	331,000	-
Howard Hartrey Debt Service	144,400	144,400	-
Southwest TIF I Debt Service Fund	29,500	29,500	-
NSP 2	145,000	87,624	(57,376)
Emergency Telephone System Fund	125,950	125,950	-
Parking Fund	644,242	644,242	-
Sewer Fund	142,200	142,200	-
Howard Ridge TIF	120,400	120,400	-
Capital Improvement Fund	475,000	475,000	-
Water Fund	3,356,300	3,356,300	-
Debt Service Fund	(1,000,000)	(1,000,000)	-
Fleet Service	(600,000)	(600,000)	-
Solid Waste	(1,245,967)	(1,245,967)	-
Insurance Fund	(500,000)	(500,000)	-
	<u>3,537,722</u>	<u>3,480,346</u>	<u>(57,376)</u>
Net Change in Fund Balance	<u>\$ (3,343,338)</u>	<u>(1,051,324)</u>	<u>\$ 2,292,014</u>
<b>Fund Balance</b>			
Beginning		<u>27,760,963</u>	
Ending		<u>\$ 26,709,639</u>	

Note: See notes to Required Supplementary Information and Auditors' Report.

**CITY OF EVANSTON, ILLINOIS**

**Notes to the Required Supplementary Information**

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**NOTE 1. DIGEST OF CHANGES - IMRF**

The actuarial assumptions used to determine the actuarial accrued liability for 2013 are based on the 2002-2004 Experience Study.

The principal changes were:

- The 1994 Group Annuity Mortality implemented
- For regular members, fewer normal and early retirements are expected to occur.

**NOTE 2. CONVERSION FROM GAAP BASIS TO BUDGETARY BASIS**

Adjustments necessary to convert City revenues and expenditures for the fiscal year ended December 31, 2013 on the GAAP basis to the budgetary basis are presented below:

	<u>General Fund</u>
Revenues	
GAAP basis revenues as reported in the Combined Statement of Revenues, Expenditures, and Changes in Fund Balances	\$ 80,326,764
Increase (decrease) due to budgeting property taxes as revenue in the year of levy	<u>(380,788)</u>
Budgetary Basis Revenues	<u><u>\$ 79,945,976</u></u>
Expenditures	
GAAP basis expenditures as reported in the Combined Statement of Revenues, Expenditures, and Changes in Fund Balances	\$ 84,477,646
Increase (decrease) due to changes in Encumbrances	<u>-</u>
Budgetary Basis Expenditures	<u><u>\$ 84,477,646</u></u>

Note: See Auditors' Report.

**FORM OF LEGAL OPINION**

**PROPOSED FORM OF OPINION OF BOND COUNSEL**

**[LETTERHEAD OF CHAPMAN AND CUTLER LLP]**

**[TO BE DATED CLOSING DATE]**

We hereby certify that we have examined certified copy of the proceedings (the “*Proceedings*”) of the City Council of the City of Evanston, Cook County, Illinois (the “*City*”) passed preliminary to the issue by the City of its fully registered General Obligation Corporate Purpose Bonds, Series 2014 (the “*Bonds*”), to the amount of \$12,045,000, dated the date hereof, denomination \$5,000 or authorized integral multiple thereof, due and payable on December 1 of the years and in the amounts and bearing interest at the rates percent per annum as follows:

YEAR	AMOUNT (\$)	RATE (%)
2015	345,000	2.00
2016	470,000	1.25
2017	475,000	1.75
2018	480,000	4.00
2019	500,000	4.00
2020	510,000	4.00
2021	530,000	5.00
2022	550,000	5.00
2023	575,000	5.00
2024	600,000	5.00
2025	590,000	5.00
2026	620,000	5.00
2027	650,000	3.00
2028	670,000	3.00
2029	690,000	3.00
2030	710,000	3.00
****	****	****
2032	1,490,000	3.25
****	****	****
2034	1,590,000	3.50

Each of the Bonds bears interest from the later of its dated date as stated above or from the most recent interest payment date to which interest has been paid or duly provided for, until the principal amount of each such Bond, respectively, is paid or duly provided for, such interest (computed upon the basis of a 360-day year of twelve 30-day months) being payable on June 1 and December 1 of each year, commencing on June 1, 2015.

The Bonds coming due on December 1, 2032 and December 1, 2034 are subject to mandatory redemption prior to maturity at a price of par, without premium, plus accrued interest to the date fixed for redemption, on December 1 of the years and in the amounts as follows:

FOR THE 2032 TERM BOND:

<u>YEAR</u>	<u>AMOUNT (\$)</u>
2031	735,000
2032	755,000 (stated maturity)

FOR THE 2034 TERM BOND:

<u>YEAR</u>	<u>AMOUNT (\$)</u>
2033	780,000
2034	810,000 (stated maturity)

Those of the Bonds due or subject to mandatory redemption on or after December 1, 2025, are subject to redemption prior to maturity at the option of the City as a whole or in part in any order of their maturity as determined by the City (less than all of the Bonds of a single maturity to be selected by lot), on December 1, 2024, or on any date thereafter, at the redemption price of par plus accrued interest to the redemption date, as provided in the Proceedings.

The Bonds have been issued for the purpose of providing for certain capital projects in and for the City and paying for costs of issuance associated with the Bonds.

Based upon such examination, we are of the opinion that the Proceedings show lawful authority for the issuance of the Bonds under the laws of the State of Illinois now in force.

We further certify that we have examined the form prescribed for the Bonds and find the same in due form of law, and in our opinion the Bonds, to the amount named, are valid and legally binding upon the City, payable from any funds of the City legally available for the purpose, and all taxable property in the City is subject to the levy of taxes to pay the same without limitation as to rate or amount, except that the rights of the owners of the Bonds and the enforceability of the Bonds may be limited by bankruptcy, insolvency, moratorium, reorganization and other similar laws affecting creditors' rights and by equitable principles, whether considered at law or in equity, including the exercise of judicial discretion.

It is our opinion that, subject to the City's compliance with certain covenants, under present law, interest on the Bonds is excludable from gross income of the owners thereof for federal income tax purposes and is not included as an item of tax preference in computing the alternative minimum tax for individuals and corporations under the Internal Revenue Code of 1986, as amended, but is taken into account in computing an adjustment used in determining the

federal alternative minimum tax for certain corporations. Failure to comply with certain of such City covenants could cause interest on the Bonds to be includible in gross income for federal income tax purposes retroactively to the date of issuance of the Bonds. Ownership of the Bonds may result in other federal tax consequences to certain taxpayers, and we express no opinion regarding any such collateral consequences arising with respect to the Bonds.

We express no opinion herein as to the accuracy, adequacy or completeness of the Official Statement relating to the Bonds.

In rendering this opinion, we have relied upon certifications of the City with respect to certain material facts within the City's knowledge. Our opinion represents our legal judgment based upon our review of the law and the facts that we deem relevant to render such opinion and is not a guarantee of a result. This opinion is given as of the date hereof and we assume no obligation to revise or supplement this opinion to reflect any facts or circumstances that may hereafter come to our attention or any changes in law that may hereafter occur.



**FORM OF CONTINUING DISCLOSURE UNDERTAKING**

## CONTINUING DISCLOSURE UNDERTAKING

### FOR THE PURPOSE OF PROVIDING CONTINUING DISCLOSURE INFORMATION UNDER SECTION (b)(5) OF RULE 15c2-12

This Continuing Disclosure Undertaking (the “*Agreement*”) is executed and delivered by the City of Evanston, Cook County, Illinois (the “*City*”) in connection with the issuance of \$12,045,000 General Obligation Corporate Purpose Bonds, Series 2014 (the “*Bonds*”). The Bonds are being issued pursuant to an Ordinance, as adopted by the City Council of the City on July 28, 2014 (as supplemented by the Bond Order authorized therein and executed in connection with the sale of the Bonds, the “*Ordinance*”).

In consideration of the issuance of the Bonds by the City and the purchase of such Bonds by the beneficial owners thereof, the City covenants and agrees as follows:

1. PURPOSE OF THIS AGREEMENT. This Agreement is executed and delivered by the City as of the date set forth below, for the benefit of the beneficial owners of the Bonds and in order to assist the Participating Underwriters in complying with the requirements of the Rule (as defined below). The City represents that it will be the only obligated person with respect to the Bonds at the time the Bonds are delivered to the Participating Underwriters and that no other person is expected to become so committed at any time after issuance of the Bonds.

2. DEFINITIONS. The terms set forth below shall have the following meanings in this Agreement, unless the context clearly otherwise requires.

*Annual Financial Information* means the financial information and operating data described in *Exhibit I*.

*Annual Financial Information Disclosure* means the dissemination of disclosure concerning Annual Financial Information and the dissemination of the Audited Financial Statements as set forth in Section 4.

*Audited Financial Statements* means the audited financial statements of the City prepared pursuant to the standards and as described in *Exhibit I*.

*Commission* means the Securities and Exchange Commission.

*Dissemination Agent* means any agent designated as such in writing by the City and which has filed with the City a written acceptance of such designation, and such agent’s successors and assigns.

*EMMA* means the MSRB through its Electronic Municipal Market Access system for municipal securities disclosure or through any other electronic format or system prescribed by the MSRB for purposes of the Rule.

*Exchange Act* means the Securities Exchange Act of 1934, as amended.

*MSRB* means the Municipal Securities Rulemaking Board.

*Participating Underwriter* means each broker, dealer or municipal securities dealer acting as an underwriter in the primary offering of the Bonds.

*Reportable Event* means the occurrence of any of the Events with respect to the Bonds set forth in *Exhibit II*.

*Reportable Events Disclosure* means dissemination of a notice of a Reportable Event as set forth in Section 5.

*Rule* means Rule 15c2-12 adopted by the Commission under the Exchange Act, as the same may be amended from time to time.

*State* means the State of Illinois.

*Undertaking* means the obligations of the City pursuant to Sections 4 and 5.

3. CUSIP NUMBER/FINAL OFFICIAL STATEMENT. The CUSIP Numbers of the Bonds as set forth in *Exhibit III*. The Final Official Statement relating to the Bonds is dated August 6, 2014 (the "*Final Official Statement*"). The City will include the CUSIP Number in all disclosure described in Sections 4 and 5 of this Agreement.

4. ANNUAL FINANCIAL INFORMATION DISCLOSURE. Subject to Section 8 of this Agreement, the City hereby covenants that it will disseminate its Annual Financial Information and its Audited Financial Statements (in the form and by the dates set forth in *Exhibit I*) to EMMA in such manner and format and accompanied by identifying information as is prescribed by the MSRB or the Commission at the time of delivery of such information and by such time so that such entities receive the information by the dates specified. MSRB Rule G-32 requires all EMMA filings to be in word-searchable PDF format. This requirement extends to all documents to be filed with EMMA, including financial statements and other externally prepared reports.

If any part of the Annual Financial Information can no longer be generated because the operations to which it is related have been materially changed or discontinued, the City will disseminate a statement to such effect as part of its Annual Financial Information for the year in which such event first occurs.

If any amendment or waiver is made to this Agreement, the Annual Financial Information for the year in which such amendment or waiver is made (or in any notice or supplement provided to EMMA) shall contain a narrative description of the reasons for such amendment or waiver and its impact on the type of information being provided.

5. REPORTABLE EVENTS DISCLOSURE. Subject to Section 8 of this Agreement, the City hereby covenants that it will disseminate in a timely manner (not in excess of ten business

days after the occurrence of the Reportable Event) Reportable Events Disclosure to EMMA in such manner and format and accompanied by identifying information as is prescribed by the MSRB or the Commission at the time of delivery of such information. MSRB Rule G-32 requires all EMMA filings to be in word-searchable PDF format. This requirement extends to all documents to be filed with EMMA, including financial statements and other externally prepared reports. Notwithstanding the foregoing, notice of optional or unscheduled redemption of any Bonds or defeasance of any Bonds need not be given under this Agreement any earlier than the notice (if any) of such redemption or defeasance is given to the Bondholders pursuant to the Ordinance.

6. CONSEQUENCES OF FAILURE OF THE CITY TO PROVIDE INFORMATION. The City shall give notice in a timely manner to EMMA of any failure to provide Annual Financial Information Disclosure when the same is due hereunder.

In the event of a failure of the City to comply with any provision of this Agreement, the beneficial owner of any Bond may seek mandamus or specific performance by court order, to cause the City to comply with its obligations under this Agreement. The beneficial owners of 25% or more in principal amount of the Bonds outstanding may challenge the adequacy of the information provided under this Agreement and seek specific performance by court order to cause the City to provide the information as required by this Agreement. A default under this Agreement shall not be deemed a default under the Ordinance, and the sole remedy under this Agreement in the event of any failure of the City to comply with this Agreement shall be an action to compel performance.

7. AMENDMENTS; WAIVER. Notwithstanding any other provision of this Agreement, the City by ordinance authorizing such amendment or waiver, may amend this Agreement, and any provision of this Agreement may be waived, if:

(a) (i) The amendment or waiver is made in connection with a change in circumstances that arises from a change in legal requirements, including without limitation, pursuant to a “no-action” letter issued by the Commission, a change in law, or a change in the identity, nature, or status of the City, or type of business conducted; or

(ii) This Agreement, as amended, or the provision, as waived, would have complied with the requirements of the Rule at the time of the primary offering, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and

(b) The amendment or waiver does not materially impair the interests of the beneficial owners of the Bonds, as determined either by parties unaffiliated with the City (such as the Bond Counsel).

In the event that the Commission or the MSRB or other regulatory authority shall approve or require Annual Financial Information Disclosure or Reportable Events Disclosure to be made to a central post office, governmental agency or similar entity other than EMMA or in

lieu of EMMA, the City shall, if required, make such dissemination to such central post office, governmental agency or similar entity without the necessity of amending this Agreement.

8. TERMINATION OF UNDERTAKING. The Undertaking of the City shall be terminated hereunder if the City shall no longer have any legal liability for any obligation on or relating to repayment of the Bonds under the Ordinance. The City shall give notice to EMMA in a timely manner if this Section is applicable.

9. DISSEMINATION AGENT. The City may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Agreement, and may discharge any such Dissemination Agent, with or without appointing a successor Dissemination Agent.

10. ADDITIONAL INFORMATION. Nothing in this Agreement shall be deemed to prevent the City from disseminating any other information, using the means of dissemination set forth in this Agreement or any other means of communication, or including any other information in any Annual Financial Information Disclosure or notice of occurrence of a Reportable Event, in addition to that which is required by this Agreement. If the City chooses to include any information from any document or notice of occurrence of a Reportable Event in addition to that which is specifically required by this Agreement, the City shall have no obligation under this Agreement to update such information or include it in any future disclosure or notice of occurrence of a Reportable Event. If the City is changed, the City shall disseminate such information to EMMA.

11. BENEFICIARIES. This Agreement has been executed in order to assist the Participating Underwriters in complying with the Rule; however, this Agreement shall inure solely to the benefit of the City, the Dissemination Agent, if any, and the beneficial owners of the Bonds, and shall create no rights in any other person or entity.

12. RECORDKEEPING. The City shall maintain records of all Annual Financial Information Disclosure and Reportable Events Disclosure, including the content of such disclosure, the names of the entities with whom such disclosure was filed and the date of filing such disclosure.

13. ASSIGNMENT. The City shall not transfer its obligations under the Ordinance unless the transferee agrees to assume all obligations of the City under this Agreement or to execute an Undertaking under the Rule.

14. GOVERNING LAW. This Agreement shall be governed by the laws of the State.

CITY OF EVANSTON  
COOK COUNTY, ILLINOIS

By: \_\_\_\_\_

Its: Mayor

Address: 2100 Ridge Avenue  
Evanston, Illinois 60201

Date: August 21, 2014

## EXHIBIT I

### ANNUAL FINANCIAL INFORMATION AND TIMING AND AUDITED FINANCIAL STATEMENTS

“*Annual Financial Information*” means financial information and operating data of the type contained in the Official Statement under the following captions:

1. All of the tables under the heading **FINANCES**
2. All of the tables under the heading **GENERAL OBLIGATION BONDED INDEBTEDNESS**
3. All of the tables under the heading **REAL PROPERTY TAXATION**

All or a portion of the Annual Financial Information and the Audited Financial Statements as set forth below may be included by reference to other documents which have been submitted to EMMA or filed with the Commission. If the information included by reference is contained in a Final Official Statement, the Final Official Statement must be available on EMMA; the Final Official Statement need not be available from the Commission. The City shall clearly identify each such item of information included by reference.

Annual Financial Information exclusive of Audited Financial Statements will be submitted to EMMA by 270 days after the last day of the City’s fiscal year. Audited Financial Statements as described below should be filed at the same time as the Annual Financial Information. If Audited Financial Statements are not available when the Annual Financial Information is filed, unaudited financial statements shall be included.

Audited Financial Statements will be prepared according to Generally Accepted Accounting Principles as applicable to governmental units (*i.e.*, as subject to the pronouncements of the Governmental Standards Accounting Board and subject to any express requirements of State law). Audited Financial Statements will be submitted to EMMA within 30 days after availability to City.

If any change is made to the Annual Financial Information as permitted by Section 4 of the Agreement, the City will disseminate a notice of such change as required by Section 4.

## EXHIBIT II

### EVENTS WITH RESPECT TO THE BONDS FOR WHICH REPORTABLE EVENTS DISCLOSURE IS REQUIRED

1. Principal and interest payment delinquencies
2. Non-payment related defaults, if material
3. Unscheduled draws on debt service reserves reflecting financial difficulties
4. Unscheduled draws on credit enhancements reflecting financial difficulties
5. Substitution of credit or liquidity providers, or their failure to perform
6. Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the security, or other material events affecting the tax status of the security
7. Modifications to the rights of security holders, if material
8. Bond calls, if material, and tender offers
9. Defeasances
10. Release, substitution or sale of property securing repayment of the securities, if material
11. Rating changes
12. Bankruptcy, insolvency, receivership or similar event of the City\*
13. The consummation of a merger, consolidation, or acquisition involving the City or the sale of all or substantially all of the assets of the City, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material
14. Appointment of a successor or additional trustee or the change of name of a trustee, if material

NOTE: DO NOT DELETE ANY EVENT, EVEN IF IT IS INAPPLICABLE TO YOUR TRANSACTION.

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\* This event is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent or similar officer for the Issuer in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the City, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the Issuer.



EXHIBIT III

CUSIP NUMBERS

YEAR OF MATURITY	CUSIP NUMBER
2015	299227 5Z7
2016	299227 6A1
2017	299227 6B9
2018	299227 6C7
2019	299227 6D5
2020	299227 6E3
2021	299227 6F0
2022	299227 6G8
2023	299227 6H6
2024	299227 6J2
2025	299227 6K9
2026	299227 6L7
2027	299227 6M5
2028	299227 6N3
2029	299227 6P8
2030	299227 6Q6
****	*****
2032	299227 6R4
****	*****
2034	299227 6S2